HALF-YEAR FINANCIAL REPORT 2023

BAWAG Group

KEY FIGURES

Profit or loss statement (in € million)	Jan-Jun 2023	Jan-Jun 2022	Change (%)
Net interest income	600.2	491.5	22.1
Net fee and commission income	152.9	159.2	(4.0)
Core revenues	**753.1**	**650.7**	**15.7**
Other income[1)]	(3.1)	6.1	-
Operating income	**750.0**	**656.8**	**14.2**
Operating expenses	**(240.1)**	**(238.7)**	**0.6**
Pre-provision profit	**509.9**	**418.1**	**22.0**
Regulatory charges	(38.3)	(45.6)	(16.0)
Total risk costs	(41.0)	(50.6)	(19.0)
Profit before tax	**431.5**	**322.8**	**33.7**
Income taxes	(111.2)	(78.1)	42.4
Net profit	**320.3**	**244.6**	**30.9**

Performance ratios (figures annualized)	Jan-Jun 2023	Jan-Jun 2022	Change (pts)
Return on common equity	19.5%	14.7%	4.8
Return on tangible common equity	**23.2%**	**17.5%**	**5.7**
Net interest margin	2.81%	2.29%	0.52
Cost-income ratio	32.0%	36.3%	(4.3)
Risk costs / interest-bearing assets	0.19%	0.23%	(0.04)

Share data	Jan-Jun 2023	Jan-Jun 2022	Change (%)
Pre-tax earnings per share (in €)[2)]	5.23	3.62	44.5
After-tax earnings per share (in €)[2)]	3.88	2.74	41.6
Book value per share (in €)	40.62	37.65	7.9
Tangible book value per share (in €)	34.36	31.68	8.5
Shares outstanding at the end of the period	82,298,278	89,004,800	(7.5)

Statement of financial position (in € million)	Jun 2023	Dec 2022	Change (%)	Jun 2022	Change (%)
Total assets	53,127	56,523	(6.0)	55,029	(3.5)
Interest-bearing assets	42,144	43,330	(2.7)	45,382	(7.1)
Customer loans	34,295	35,763	(4.1)	37,176	(7.7)
Customer funding	44,214	43,435	1.8	40,694	8.6
Common equity[3)]	3,343	3,215	4.0	3,351	(0.2)
Tangible common equity[3)]	2,828	2,693	5.0	2,820	0.3
Risk-weighted assets	19,622	20,664	(5.0)	21,326	(8.0)

Balance sheet ratios	Jun 2023	Dec 2022	Change (pts)	Jun 2022	Change (pts)
Common Equity Tier 1 capital ratio (fully loaded)[4)]	**14.8%**	**13.5%**	**1.3**	**12.7%**	**2.1**
Total capital ratio (fully loaded)[4)]	20.0%	18.5%	1.5	17.7%	2.3
Leverage ratio (fully loaded)[4)]	6.1%	5.6%	0.5	5.6%	0.5
Liquidity coverage ratio (LCR)	207%	225%	(18)	184%	23
NPL ratio	0.9%	0.9%	-	1.4%	(0.5)

1) The position "Other Income" includes gains and losses on financial instruments and other operating income and expenses.
2) Before deduction of AT1 coupon.
3) Excluding AT1 capital and dividends. June 2022 excluding share buyback of € 325 million executed in second half-year 2022.
4) June 2022 excluding share buyback of € 325 million executed in second half-year 2022.
Note: For details on definitions and calculation methodology, please refer to the section entitled "Definitions" on pages 95-98.

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The tables in this report may contain rounding differences.

Half-Year Group Management Report

HIGHLIGHTS H1 2023

Strong operating results in the first half 2023

BAWAG Group reported a net profit of € 320 million, € 3.88 earnings per share and a RoTCE of 23.2% for the first half 2023. These results were only possible due to our strategic transformation and the significant investments we made over the past decade. As part of our transformation, we embraced our long and rich tradition of representing the "workers bank" that serves all communities - from union workers, to pensioners, to diverse immigrant communities; a rich history and tradition that dates back over 100 years.

Share buyback application of € 175 million filed … execution planned for 2023

In terms of capital distribution, we filed the application for a share buyback of € 175 million in early June, which we expect to execute in the second half of 2023 (subject to regulatory approval). With excess capital of € 330 million (post the planned buyback and first-half dividend accruals), we are maintaining dry powder for potential M&A and we will reassess additional capital distribution as part of our annual review with full-year financials.

2023 financial targets increased: Profit before tax > € 875 million, EPS >€ 8.20, DPS >€ 4.50; return targets for 2023 & beyond at RoTCE > 20%, and CIR < 34%

In our outlook for 2023, we see full-year core revenues growing by over 14% and operating expenses up by approximately 2%. We are targeting a profit before tax over € 875 million. In terms of return targets, we target a RoTCE over 20% and a CIR under 34% in 2023 and beyond.

Financial highlights H1 2023

✓ **€ 320 million net profit**
versus € 245 million in H1 2022

✓ **23% RoTCE**
versus 17.5% in H1 2022

✓ **32% CIR**
versus 36% in H1 2022

✓ **14.8% CET1 ratio**
versus 13.5% at year-end 2022

Return targets 2023 & beyond

> 20% RoTCE
versus 18.6% (adjusted) in 2022

< 34% CIR
versus 35.9% in 2022

ECONOMIC AND REGULATORY DEVELOPMENTS

ECONOMIC DEVELOPMENTS

Macro trends

Following the strong economic momentum in 2022, the first half 2023 represented a more challenging macroeconomic environment. Consumer price inflation throughout Europe and the United States (US) remained persistently elevated with levels of 5.5% in the Euro area (June-23), 7.8% in Austria (June-23), 6.8% in Germany (June-23), 6.4% in the Netherlands (June-23), and 3.0% in the US (June-23). The presence of wage-price-spiral effects are, among other developments, clear signs of a permanent inflationary pressure that calls for decisive action by central banks.

The US Federal Reserve hiked rates 10 times since the beginning of 2022 to a range of 5.00 – 5.25% as of June 2023. The ECB hiked rates 8 times during the same time horizon reaching a deposit rate of 3.5% as of June 2023. Both, the US Federal Reserve and the ECB hiked rates further by 25 basis points in July. At the same time, both central banks have implemented measures to reduce their balance sheets. The ECB, among other measures, ended the favorable interest treatment of TLTRO loans last year leading to significant repayments of this facility during 1H 2023.

Governments throughout our core continental European markets have implemented measures to counter the effects of inflation that are targeted in their support of financially disadvantaged households. Measures implemented in Austria, Germany, and the Netherlands include lump sum payments and caps on costs of electricity and gas bills of households.

Shortages of gas, electricity, and fuel caused by the war in Ukraine do not represent an immediate threat to economic performance and standard of living, but may cause inflation to surge during the winter months. In addition to the prudent management of gas and fuel reserves, Europe will diversify its gas suppliers and generally diversify its electricity production, including renewables and green energy, as part of a medium-to-lon term energy strategy.

For 2023, the European Central Bank expects GDP growth of +0.5% in Austria, (0.3%) in Germany, +0.8% in the Netherlands, and +0.9% in the Euro area.

Market developments in Austria[1)]

Corporate loan demand was solid in Austria despite rising interest rates with growth rates of approximately 7.5% compared to the previous year being in line with inflation rates as of Q1 2023. Loans to households, on the other hand, experienced a less dynamic development with loan growth of approximately 1.4% compared to the previous year in Q1 2023 with decreasing momentum highlighted by a decreasing loan volume in Q1 2023. Rising interest rates as well as deteriorating consumer sentiment are the most important drivers of this development.

House prices in Austria have been decreasing since Q3 2022 with the national index for residential real estate being approximately 2% down compared to the previous year in Q2 2023. In the Netherlands, residential real estate prices decreased by approximately 2% compared to the previous year in Q1 2023.

Deposits of Austrian households decreased by approximately 0.8% in Q1 compared to year end 2022.

1) Source: Osterreichische Nationalbank

Outlook

The outlook remains unclear as several highly relevant developments are overlapping. Most importantly, monetary policy errors in both directions remain a risk, i.e. reacting too slow and, hence, causing excessive inflation or reacting too fast and, in turn, depressing economic recovery. This risk, however, can be managed by a data-based and vigilant decision-making process that central banks continue to stress in public communications. The ECB, as well as the US Federal Reserve, are expected to monitor the situation during the summer months to assess the impact of previous hikes on economic activity and inflation. A balanced approach leading to a soft landing, i.e. a decrease in inflation without a pronounced recession, remains the intended goal of monetary policy.

For 2024, the European Central Bank expects GDP growth of +1.6% in Austria, +1.2% in Germany, +1.3% in the Netherlands, and +1.5% in the Euro area.

Macro data in our core markets (in %)	Austria	Germany	Netherlands	Euro area
Forecast 2023 (EU commission)				
GDP (% yoy)	0.5	(0.3)	0.8	0.9
Inflation (HICP)	7.4	6.0	4.2	5.4

Source: European Central Bank June 2023 forecasts

REGULATORY DEVELOPMENTS

The European Central Bank (ECB) continued its direct oversight of the Eurozone's main credit institutions, including BAWAG Group, under the Single Supervisory Mechanism (SSM).

Although the ECB discontinued various measures that had been issued due to the COVID-19-pandemic, the ECB implemented other priority measures - including the improvement of credit risk management, adequate risk provisioning in connection with IFRS 9, the digital transformation of the banking sector, and the consideration of climate and environmental risks. BAWAG Group participated in the first stress test on climate and environmental risks where the ECB assessed how prepared banks are for dealing with financial and economic shocks stemming from climate risk scenarios over a 30 year time horizon. BAWAG successfully completed the exercise with an above average overall rating (top 35% of banks) considering all the elements assessed and indicating a rather low impact of climate risks related to our business model. However, we continue to work on the development and expansion of our climate and environment risk management and are implementing the learnings gained from this exercise.

Furthermore, BAWAG Group is disclosing information relating to ESG requirements and is monitoring the European requirements such as EU Regulation 2019/2088 on sustainability-related disclosures, the Corporate Sustainability Reporting Directive (CSRD) as well as expanded Pillar 3 disclosure requirements. In order to meet the upcoming requirements, working groups were already established within BAWAG Group.

On December 14, 2022 the European Parliament and the Council published the Regulation (EU) 2022/2554 on digital operational resilience for the financial sector – Digital Operational Resilience Act (DORA) which will apply from January 17, 2025. The European Supervisory Authorities (ESAs) are required to develop common draft regulatory standards to further specify DORA requirements. On February 11, 2022, the European Systemic Risk Board (ESRB) issued a recommendation for Austria to take borrower-related measures to reduce the buildup of systemic risk from residential real estate lending. The Austrian Financial Stability Board (FMSG) followed this recommendation at its 31st meeting and tightened the criteria for residential real estate lending to consumers, which the FMA adopted with the "Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung" (KIM-V). Taking into consideration the decreased real estate demand due to the changed macroeconomic environment, the FMSG recommends in its 35th meeting the alleviation of requirements relating to bridge finance for real estate transactions.

On 27 October 2021, the European Commission adopted a review of the CRR and CRD. This package finalizes the implementation of the international Basel III agreement (also known as Basel IV) in the EU, while taking into account the specific features of the EU's banking sector. Negotiations between the EU institutions on legislative proposals – also referred to as "trilogues" – take the form of meetings between Parliament, Council, and the Commission. As of June 2023 the negotiations are still in the European trilogue process. Nonetheless, the expectation with the indicated application date of 1 January 2025 with transitional rules applying over a further five year period remains.

The main points of the banking package mainly consist of significant adjustments to the measurement methods for credit, market and operational risk. The key elements are:

- Introduction of an output floor, limiting the capital benefits from risk models
- Update of the standardized approach for credit risk
- Changes to the internal ratings-based (IRB) approach for credit risk
- A new operational risk framework
- Amendments to the market risk framework and the calculation of credit valuation adjustments (CVA)

We will continue to proactively monitor and implement the upcoming regulatory changes on a regular basis and to consider them in our business plans accordingly. Due to its strong capital position and profitable business model, BAWAG Group considers itself well prepared for the upcoming requirements.

FINANCIAL REVIEW

ANALYSIS OF PROFIT OR LOSS STATEMENT AND STATEMENT OF FINANCIAL POSITION

Profit or loss statement

in € million	Jan-Jun 2023	Jan-Jun 2022	Change	Change (%)
Net interest income	**600.2**	**491.5**	**108.7**	**22.1**
Net fee and commission income	**152.9**	**159.2**	**(6.3)**	**(4.0)**
Core revenues	**753.1**	**650.7**	**102.4**	**15.7**
Gains and losses on financial instruments and other operating income and expenses[1]	(3.1)	6.1	(9.2)	-
Operating income	**750.0**	**656.8**	**93.2**	**14.2**
Operating expenses[1]	**(240.1)**	**(238.7)**	**(1.4)**	**0.6**
Pre-provision profit	**509.9**	**418.1**	**91.8**	**22.0**
Regulatory charges	(38.3)	(45.6)	7.3	(16.0)
Operating profit	**471.6**	**372.5**	**99.1**	**26.6**
Total risk costs	(41.0)	(50.6)	9.6	(19.0)
Share of the profit or loss of associates accounted for using the equity method	0.9	0.9	–	–
Profit before tax	**431.5**	**322.8**	**108.7**	**33.7**
Income taxes	(111.2)	(78.1)	(33.1)	42.4
Profit after tax	**320.3**	**244.7**	**75.6**	**30.9**
Non-controlling interests	0.0	(0.1)	0.1	-
Net profit	**320.3**	**244.6**	**75.7**	**30.9**

1) In accordance with IFRS, the item Other operating income and expenses also includes regulatory charges in the amount of € 36.0 million for the first half 2023. The item Operating expenses includes regulatory charges in the amount of € 2.4 million for the first half 2023 as well. However, BAWAG Group's management considers regulatory charges as a separate expense. Accordingly, they are shown in a separate expense line in the Interim Group Management Report.

Profit after tax increased by € 75.6 million, or 30.9%, to € 320.3 million in the first half 2023. The underlying operating performance of the business remained strong during the first half 2023, generating core revenues of € 753.1 million and a pre-provision profit of € 509.9 million.

Net interest income rose by 22.1% to € 600.2 million resulting from a more normalized interest rate environment.

Net fee and commission income decreased by 4.0% to € 152.9 million, mostly due to lower advisory business resulting from ongoing cautious customer sentiment given both inflationary pressures and overall subdued activity.

Gains and losses on financial instruments and other operating income and expenses decreased by € 9.2 million to € (3.1) million in the first half 2023.

Operating expenses increased by 0.6% to € 240.1 million, reflecting the impact of the collective bargaining agreement (effective as of April), while operational initiatives executed over the past years compensated further inflationary pressures.

The first half 2023 also included **regulatory charges** of € 38.3 million, down 16.0% versus prior year. The regulatory charges booked in the first half 2023 represent approximately 85% of the full-year charges that are expected to be required during 2023.

Total risk costs were € 41.0 million in the first half 2023, a decrease of € 9.6 million, or 19.0%, compared to the previous year. The underlying asset quality remained strong during the first six months of 2023. The management overlay, which are provisions to address the uncertain macroeconomic outlook and any potential headwinds, remained at € 100 million.

Total assets

in € million	**Jun 2023**	Dec 2022	Change (%)	Jun 2022	Change (%)
Cash reserves	646	520	24.2	735	(12.1)
Financial assets					
Held for trading	123	156	(21.2)	194	(36.6)
Fair value through profit or loss	597	557	7.2	610	(2.1)
Fair value through OCI	2,759	2,743	0.6	2,851	(3.2)
At amortized cost	48,294	51,585	(6.4)	49,723	(2.9)
Customers	34,295	35,763	(4.1)	37,176	(7.7)
Debt instruments	3,293	3,167	4.0	2,653	24.1
Credit institutions	10,706	12,655	(15.4)	9,894	8.2
Valuation adjustment on interest rate risk hedged portfolios	(600)	(619)	3.1	(461)	(30.2)
Hedging derivatives	172	338	(49.1)	95	81.1
Tangible non-current assets	342	352	(2.8)	377	(9.3)
Intangible non-current assets	515	522	(1.3)	531	(3.0)
Tax assets for current taxes	20	21	(4.8)	26	(23.1)
Tax assets for deferred taxes	18	18	-	14	28.6
Other assets	236	305	(22.6)	334	(29.3)
Non-current assets held for sale	5	25	(80.0)	-	>100
Total assets	**53,127**	**56,523**	**(6.0)**	**55,029**	**(3.5)**

The **cash reserves** increased slightly to € 0.6 billion compared to € 0.5 billion at year-end 2022.

The line item **at amortized cost** decreased by € 3.3 billion, or 6.4%, compared to year-end 2022 and stood at € 48.3 billion as of 30 June 2023. The customer volumes decreased by 4.1% during the first half 2023 due to muted loan demand.

Total liabilities and equity

in € million	Jun 2023	Dec 2022	Change (%)	Jun 2022	Change (%)
Total liabilities	49,137	52,532	(6.5)	50,743	(3.2)
Financial liabilities					
Fair value through profit or loss	165	204	(19.1)	214	(22.9)
Held for trading	615	692	(11.1)	611	0.7
At amortized cost	47,100	50,669	(7.0)	48,474	(2.8)
Customers	32,659	34,288	(4.8)	33,524	(2.6)
Issued securities	12,840	10,037	27.9	7,744	65.8
Credit institutions	1,601	6,344	(74.8)	7,206	(77.8)
Financial liabilities associated with transferred assets	398	394	1.0	391	1.8
Valuation adjustment on interest rate risk hedged portfolios	(780)	(891)	12.5	(468)	(66.7)
Hedging derivatives	313	245	27.8	263	19.0
Provisions	282	284	(0.7)	304	(7.2)
Tax liabilities for current taxes	128	43	>100	68	88.2
Tax liabilities for deferred taxes	82	95	(13.7)	74	10.8
Other obligations	834	797	4.6	812	2.7
Obligations in disposal groups held for sale	-	-	-	-	-
Total equity	3,990	3,991	(0.0)	4,286	(6.9)
Common equity	3,519	3,520	(0.0)	3,810	(7.6)
AT1 capital	471	471	-	471	-
Non-controlling interests	-	-	-	5	(100)
Total liabilities and equity	**53,127**	**56,523**	**(6.0)**	**55,029**	**(3.5)**

Financial liabilities at amortized cost decreased by € 3.6 billion, or 7.0%, to € 47.1 billion as of 30 June 2023 compared to year-end 2022, which is mainly caused by the partial repayment of the TLTRO during the first half of 2023 (€ 4.8 billion).

Total equity including Additional Tier 1 capital stood at € 4.0 billion as of 30 June 2023.

CAPITAL AND LIQUIDITY POSITION

BAWAG Group's **CET1 target ratio** is at 12.25% on a fully loaded basis. The target CET1 ratio takes the regulatory capital requirements into account and is calibrated to leave a conservative buffer above the minimum capital requirements set by the regulator.

	2023
Pillar 1 minimum	4.5%
Pillar 2 requirement (CET1 requirement; total requirement 2.0%)	1.125%
Capital conservation buffer	2.5%
Systemic risk buffer	0.5%
O-SII buffer[1]	0.75%
Countercylical buffer (based on exposure as of June 2023)	0.2577%
Overall capital requirement (OCR)	**9.633%**
Pillar 2 guidance (P2G)	0.75%
Overall capital requirement including P2G	**10.383%**
CET1 target ratio	**12.25%**
Management buffer to OCR (in basis points)	262
Management buffer to OCR including P2G (in basis points)	187

1) According to the KP-VO 2022, BAWAG's O-SII buffer on the consolidated level will be 0.75% starting from 1.1.2023 and 0.90% starting from 1.1.2024.

As of 30 June 2022, all relevant capital ratios exceeded both the target ratio and the regulatory requirements. These ratios consider the deduction of the dividend accrual for 2023 of € 176 million.

	June 2023	December 2022
CET1 capital (in € million)	2,909	2,793
Risk-weighted assets (in € million)	19,622	20,664
CET1 ratio (post dividend)	**14.8%**	**13.5%**
Tier1 ratio (post dividend)	**16.9%**	**15.5%**
Total capital ratio (post dividend)	**20.0%**	**18.5%**

Based on the fully loaded capital ratios as of 30 June 2023, the maximum distributable amount above the regulatory requirements for 2023 (Pillar 1 minimum ratios, Pillar 2 CET1 requirement and combined buffer requirements) is € 1.0 billion (after taking € 176 million dividend accrual for 2023 into account). Available distributable items as defined in Art. 4.1 (128) CRR on the level of BAWAG Group AG amount to approximately € 2.9 billion as of 30 June 2023.

Capital distribution policy

Maintaining a strong capital base with a conservative buffer above regulatory requirements is a strategic priority for BAWAG Group. At the same time, we want to offer a sustainable and balanced return to our shareholders. Since the IPO in 2017, we have distributed € 2.03 billion of capital through dividends (€ 1.3 billion) and share buybacks (€ 725 million). In addition, we deducted € 176 million of dividend accrual for the first six months 2023 based on our dividend policy. Our capital distribution framework is as follows:

Dividend – 55% payout
We target a dividend payout of 55% of net profit, barring unforeseen circumstances. Dividends will be distributed annually after the Annual General Meeting in line with the respective shareholders' resolution. Dividend distributions will comply with regulatory and/or corporate law restrictions and take into account recommendations made by the competent regulatory authority.

Excess capital management
Additional capital will be allocated to business growth, M&A, minority and/or platform investments.

Excess capital distribution
Any additional capital will be allocated to share buybacks and/or special dividends, subject to our routine annual assessment. We filed an application for a share buyback of € 175 million in early June 2023, which we expect to execute in the second half of 2023 (subject to regulatory approval). With excess capital of € 330 million as of June 2023 (post the planned buyback and first-half year dividend accruals), we are maintaining dry powder for potential M&A and we will reassess additional capital distribution as part of our annual review with full-year financials.

Developments in other types of funding

A key role of our activities is transforming deposits and other types of funding into loans. **Customer deposits** remain a key pillar of our funding strategy. As of June 2023, over 90% of our customer loans were funded via customer deposits. Customer deposit funding is complemented by diversified capital market funding.

BAWAG Group has been an active issuer in the covered bond space, with a total of € 2.1 billion successfully placed in the first half 2023. In addition, one senior placement was executed successfully for a total of € 500 million under the green bond framework.

BAWAG Group also participated in the ECB's TLTRO III program with the maximum capacity of € 6.4 billion, of which € 0.6 billion are remaining end of June 2023. € 5.8 billion was paid back by end of June 2023, whereof € 4.8 billion in H1 2023.

Minimum requirement for own funds and eligible liabilities (MREL)

In the first quarter 2023, BAWAG Group received its new MREL decision from the Single Resolution Board ("SRB"). It is based on a single point of entry resolution strategy with BAWAG P.S.K. AG as the resolution entity. The MREL requirement (including combined buffer requirement[1)]) has been set at 26.57% of RWA on the consolidated level of BAWAG P.S.K. AG, with the final requirement being applicable from 1 January 2024. The MREL decision also sets a binding interim target of 22.5% of RWA (including combined buffer requirement[1)]), which had to be met by 1 January 2022. The current MREL decision does not contain a subordination requirement. In addition to the MREL requirement in % of RWA, according to the new SRB Decision MREL requirement in % of LRE (leverage ratio exposure) has been set at 5.9% on the consolidated level of BAWAG P.S.K. AG, with the final requirement being applicable from 1 January 2022.

As of 30 June 2023, BAWAG reported MREL-eligible instruments amounting to 30.3%[2)] of RWA and 11.0% of LRE, thereby already exceeding the binding interim target in % of RWA and final requirement in % of LRE applicable from 1 January 2022.

Liquidity management

BAWAG Group maintains a conservative liquidity management strategy, which is reflected in our strong liquidity coverage ratio (LCR) of 207% at the end of June 2023. BAWAG Group thereby significantly exceeds the regulatory LCR requirement of 100%.

Credit rating

On 11 July 2023 Moody's upgraded BAWAG P.S.K.'s long-term, deposit, issuer and senior unsecured ratings to A1 from A2. The upgrade follows a change in Moody's assumption of the likelihood of the Government of Austria providing support from "low" to "moderate", and is now in line with other banking systems in the EU. This is also considered for other Austrian banks as outlined in Moody's release. The full ratings are available under www.bawaggroup.com.

1) Based on June 2023 figures.
2) Number on BAWAG P.S.K. level, fully-loaded CRR for RWA and LRE

KEY QUARTERLY PERFORMANCE INDICATORS

in € million	**Q2 2023**	Q1 2023	Q4 2022	Q3 2022[1)]	Q2 2022
Net interest income	310.2	290.0	269.7	260.0	249.5
Net fee and commission income	76.7	76.2	75.0	75.0	77.8
Core revenues	386.8	366.3	344.7	335.0	327.3
Operating income	383.1	366.9	330.9	336.3	331.4
Operating expenses	(120.7)	(119.4)	(118.1)	(118.0)	(118.2)
Pre-provision profit	262.4	247.5	212.8	218.3	213.2
Regulatory charges	2.6	(41.0)	0.1	(3.4)	(7.3)
Total risk costs	(20.5)	(20.6)	(36.2)	(35.3)	(30.3)
Profit before tax	245.1	186.4	177.3	180.8	176.5
Income taxes	(64.3)	(46.8)	(45.4)	(48.3)	(42.8)
Net profit	180.8	139.6	131.9	132.4	133.7
(figures annualized)					
Return on common equity[2)]	21.8%	17.2%	16.4%	16.2%	16.0%
Return on tangible common equity[2)]	**25.9%**	**20.5%**	**19.6%**	**19.3%**	**19.0%**
Net interest margin	2.91%	2.72%	2.43%	2.31%	2.25%
Cost-income ratio	31.5%	32.5%	35.7%	35.1%	35.7%
Risk costs / interest-bearing assets	0.19%	0.19%	0.33%	0.32%	0.27%
Tax rate	26.2%	25.1%	25.6%	26.7%	24.2%

1) Excluding City of Linz write-off of € 254 million (€ 191 million after tax)
2) 2022 excluding share buyback
Note: For details on definitions and calculation methodology, please refer to the section entitled “Definitions” on pages 95-97.

BUSINESS SEGMENTS

RETAIL & SME

During the first half 2023, the Retail & SME segment delivered a profit before tax of € 336.1 million, a return on tangible common equity of 36.0% and a cost-income ratio of 30.8%. During the first half of the year the loan growth was subdued and advisory business lower given overall cautious consumer sentiment and significant movement in rates. We continue to maintain our focus on risk-adjusted returns, to ensure sustainable profitable growth. The asset quality remained stable during the first six months 2023 , with the NPL ratio at 1.7%. Total retail customer funding, which is a combination of customer deposits and AAA rated Austrian mortgage covered bonds, was € 37.0 billion, which is an increase of 5% compared to year-end 2022. At the same time, we continued to execute on our strategic initiatives to provide our customers with simple, transparent, and affordable financial products and services they need and that promote their financial health.

Financial results

Income metrics (in € million)	Jan-Jun 2023	Jan-Jun 2022	Change (%)
Net interest income	423.9	355.8	19.1
Net fee and commission income	135.1	144.1	(6.2)
Core revenues	**559.0**	**499.9**	**11.8**
Other income [1]	2.3	1.4	64.3
Operating income	**561.3**	**501.5**	**11.9**
Operating expenses	**(173.1)**	**(171.9)**	**0.7**
Pre-provision profit	**388.2**	**329.6**	**17.8**
Regulatory charges	(12.7)	(18.5)	(31.4)
Total risk costs	(39.4)	(35.4)	11.3
Profit before tax	**336.1**	**275.7**	**21.9**
Income taxes	(84.0)	(68.9)	21.9
Net profit	**252.1**	**206.8**	**21.9**

Key ratios	Jan-Jun 2023	Jan-Jun 2022	Change (%)
Return on tangible common equity [2]	36.0%	31.8%	4.2
Net interest margin	3.82%	3.29%	0.53
Cost-income ratio	30.8%	34.3%	(3.5)
Risk costs / interest-bearing assets	0.36%	0.33%	0.03
NPL ratio	1.7%	1.9%	(0.2)

Business volumes (in € million)	Jun 2023	Dec 2022	Change (%)	Jun 2022	Change (%)
Interest bearing assets	22,033	22,375	(1.5)	22,353	(1.4)
Interest bearing assets (average) [3]	22,166	22,065	0.5	21,656	2.4
Risk-weighted assets	9,295	9,587	(3.0)	9,452	(1.7)
Own issues	9,651	7,543	27.9	6,016	60.4
Customer deposits	27,327	27,826	(1.8)	28,045	(2.6)
Customer deposits (average) [3]	26,686	27,698	(3.7)	27,949	(4.5)
Customer Funding	36,978	35,369	4.5	34,062	8.6
Customer Funding (average) [3]	36,799	34,598	6.4	33,842	8.7

1) The position "Other Income" includes gains and losses on financial instruments and other operating income and expenses
2) Excluding AT1 capital and dividends. June 2022 excluding share buyback of € 325 million executed in second half-year 2022
3) Average of Dec 2022 is the full year average

Outlook

We continue to execute on our long-term strategy to ensure the best products and services are offered to customers in the most efficient and simple manner. We focus on long term sustainable and profitable growth in Austria and across our niche markets focused on organic and inorganic opportunities.Our simplified operating model and focus on efficiency provides a cost advantage, enabling us to compete in low-risk but highly competitive markets and invest more to the benefit of all stakeholders. While we have lived through challenging environments over the last years, our promise to our customers remains the same – providing simple, transparent and reliable financial products and services they need and that promote their financial health. Our service and advisory model for retail customers continues to be further developed, leveraging a combination of digital and offline channels. We continue investing in direct channels for customer service and daily transactional needs, while focusing our sales force on core customer advisory. In line with our strategic commitment to maintaining a low risk profile, we will remain prudent and conservative in lending across all products.

CORPORATES, REAL ESTATE & PUBLIC SECTOR

During the first six months 2023, the Corporates, Real Estate & Public Sector segment delivered a profit before tax of € 115.4 million, a return on tangible common equity of 22.6% and a cost-income ratio of 23.2%. Core revenues increased by 12.3% in 2023, while maintaining our focus on risk-adjusted returns. Risk costs were zero, with no ECL management overlay releases. Customer loans decreased by 7%. Custumer funding, which is a combination of public sector / corporate deposits and AAA Austrian Public sector covered bonds, was at € 7.2 billion, down 5% compared to year-end 2022.

Financial results

Income metrics (in € million)	**Jan-Jun 2023**	Jan-Jun 2022	Change (%)
Net interest income	144.0	128.9	11.7
Net fee and commission income	18.6	15.9	17.0
Core revenues	**162.6**	**144.8**	**12.3**
Other income [1]	(1.6)	20.2	-
Operating income	**161.0**	**165.0**	**(2.4)**
Operating expenses	**(37.4)**	**(36.5)**	**2.5**
Pre-provision profit	**123.6**	**128.4**	**(3.7)**
Regulatory charges	(8.2)	(10.0)	(18.0)
Total risk costs	0.0	(11.6)	>(100)
Profit before tax	**115.4**	**106.8**	**8.1**
Income taxes	(28.9)	(26.7)	8.2
Net profit	**86.5**	**80.1**	**8.0**

Key ratios	**Jan-Jun 2023**	Jan-Jun 2022	Change (%)
Return on tangible common equity [2]	22.6%	18.1%	4.5
Net interest margin	2.01%	1.69%	0.32
Cost-income ratio	23.2%	22.1%	1.1
Risk costs / interest-bearing assets	0.00%	0.15%	0.15
NPL ratio	0.7%	0.7%	-

Business volumes (in € million)	**Jun 2023**	Dec 2022	Change (%)	Jun 2022	Change (%)
Interest bearing assets	13,742	14,503	(5.2)	15,916	(13.7)
Interest bearing assets (average) [3]	14,349	15,275	(6.1)	15,265	(6.0)
Risk-weighted assets	6,988	7,502	(6.9)	8,309	(15.9)
Own issues	524	534	(1.9)	558	(6.1)
Customer deposits	5,540	5,907	(6.2)	5,080	9.1
Customer deposits (average) [3]	5,197	5,482	(5.2)	5,449	(4.6)
Customer Funding	7,158	7,511	(4.7)	6,230	14.9
Customer Funding (average) [3]	6,864	6,732	2.0	6,633	3.5

1) The position "Other Income" includes gains and losses on financial instruments and other operating income and expenses
2) Excluding AT1 capital and dividends. June 2022 excluding share buyback of € 325 million executed in second half-year 2022
3) Average of Dec 2022 is the full year average

Outlook

Our focus continues to be maintaining our disciplined and conservative underwriting and focusing on risk-adjusted returns without ever chasing blind volume growth. We expect to see greater volatility as central banks across our core markets continue a process of increasing interest rates and removing liquidity after many years of quantitative easing. There are both risks and opportunities in this process, but we are cautiously optimistic that this will bring greater discipline back into the credit markets with a general repricing of risk.

CORPORATE CENTER AND TREASURY

As of 30 June 2023, the investment portfolio amounted to € 5.1 billion and the liquidity reserve was € 9.9 billion. The investment portfolio's average maturity was 3.6 years, comprised nearly 100% of investment grade rated securities, of which 70% were rated in the single A category or higher. As of 30 June 2023 the portfolio had no direct exposure to China or Russia and limited exposure to Central Easter European countries.

Financial results

Income metrics (in € million)	Jan-Jun 2023	Jan-Jun 2022	Change (%)
Net interest income	32.3	6.7	>100
Net fee and commission income	(0.8)	(0.8)	0.0
Core revenues	**31.5**	**5.9**	**>100**
Other income [1]	(3.9)	(15.5)	74.8
Operating income	**27.7**	**(9.6)**	**-**
Operating expenses	**(29.6)**	**(30.3)**	**(2.3)**
Pre-provision profit	**(2.0)**	**(39.9)**	**95.0**
Regulatory charges	(17.4)	(17.1)	1.8
Total risk costs	(1.6)	(3.5)	(54.3)
Profit before tax	**(20.0)**	**(59.7)**	**66.5**
Income taxes	1.7	17.5	(90.3)
Net profit	**(18.3)**	**(42.3)**	**56.7**

1) The term "Other Income" includes gains and losses on financial instruments and other operating income and expenses

Business volumes (in € million)	Jun 2023	Dec 2022	Change (%)	Jun 2022	Change (%)
Assets	17,352	19,645	(11.7)	16,760	3.5
Risk-weighted assets	3,340	3,575	(6.6)	3,566	(6.3)
Equity	3,814	3,686	3.5	4,147	(8.0)
Own issues and other liabilities	4,596	4,689	(2.0)	4,334	6.0

Outlook

Treasury will continue to focus on keeping streamlined processes in support of BAWAG Group's core operating activities and customer needs. In the coming year, largely restrictive measures by the central banks to combat inflation and the economic development of the industrialized countries will be the most important issues and drivers of the financial markets. We are committed to maintaining high credit quality and highly liquid investments with solid diversification.

RISK MANAGEMENT

With respect to the explanations on financial and legal risks at BAWAG Group as well as the goals and methods of risk management, please refer to the information in the Notes section. For policies on our investment standards in the light of ESG please refer to our website https://www.bawaggroup.com/BAWAGGROUP/IR/EN/ESG, where the latest policies are available.

STRESS TEST 2023 RESULTS

The EBA and ECB published the results of the 2023 stress test on 28 July 2023. Under the theoretical adverse scenario, BAWAG Group's CET1 ratio would fall by 90 basis points to 12.61% after three years from 13.51% at year-end 2022. Despite the harsher economic assumptions in the 2023 exercise, this represents a further improvement from the 2021 stress test results, where BAWAG's impact was a decrease of 198 basis points of CET1 in the adverse case. The strength of this result places BAWAG #2 among the 57 EBA Eurozone stress-tested banks and #5 among the 70 total EBA sample in terms of adverse CET1 impact.

The EBA/ECB conduct periodic theoretical stress tests using consistent methodologies and scenarios to assess the resilience of the financial institutions under their supervision. The adverse stress test assumptions were set for a three-year time horizon (2023-2025). The stress test was carried out based on a static balance sheet as of December 2022. The assumptions for BAWAG Group in this year's stress test were more severe than in 2021 with a 6% cumulative decline in GDP and an inflation of +18% over the forecast period in addition to declines in commercial real estate values of 29% and residential housing prices of 30% on a weighted average.

For BAWAG Group, the 3-year impact on CET1 ratio was -90 basis points in this year's stress test compared to -198 basis points in 2021 and -240 basis points in the 2018 stress test. Despite these stress assumptions, in no year does the bank's capital fall below the 12.25% CET1 target set by management with significant cushion to minimum requirements throughout. The bank remains profitable in all years, with dividend payments continuing as per our dividend policy across the stressed time horizon in the adverse case.

ESG

In addition to driving the initiatives laid out in the annual report in regards to ESG, we updated – as already indicated in our Remuneration Report 2022 – the remuneration framework in respect of the annual bonus for Management Board members from a governance perspective.

For fiscal year 2023, BAWAG Group has made significant changes to the annual bonus plan for the Management Board members. Changes were made following a thorough review of remuneration at the peer companies detailed in BAWAG's Remuneration Report for 2022, discussion with its executive remuneration consultant, engagement with shareholders and inputs from other stakeholders.

Following review of market practice and engagement with shareholders, the Remuneration Committee redesigned the annual bonus plan to emphasize the following:

- Greater focus on quantifiable KPIs and a formulaic approach to determining bonus payouts
- Introduction of a bonus entry condition as initial hurdle
- Formalized and transparent target-setting and assessment of actual performance relative to targets.
- Maintaining an overall cap for annual bonus payouts.
- Differentiation of annual bonus plan by Management Board role.

The annual bonus plan, which rewards Management Board members for performance throughout the current fiscal year, has been overhauled to consist of a formulaic design, majority-focused on objective financial criteria while allowing for differentiation by role via additional consideration of non-financial performance. Specifically, the variable remuneration that each Management Board member may receive from the bonus plan each year is based on a scorecard that is weighted 80% on group financial metrics and 20% on non-financial metrics. The only exceptions apply to the Chief Risk Officer (CRO) and Chief Administrative Officer (CAO). Due to the nature of their risk management and compliance roles, they will be assessed based on scorecards that are weighted 100% on non-financial metrics.

Group financial metrics include return on tangible common equity (RoTCE), cost-income ratio (CIR), and risk cost ratio. Non-financial metrics include ESG-related criteria, assessment of leadership demonstrated throughout the year, and for the CRO / CAO, individually-based achievements related to their core responsibilities.

Each metric will be tied to a target goal, with the target bonus amount paid out only if the respective goals for each metric are achieved. The financial metrics will involve “ratchets” of a +/-25% range from the target, which will further determine the extent to which final bonus payouts will be above or below the target amount for each participant. Non-financial targets will be assessed on a similar but more qualitatively-determined range.

The Remuneration Report for 2023 will disclose explicit detail for the weightings, targets, definitions, and ratchet ranges for each financial and non-financial metric. The Remuneration Committee believes these significant changes in design will incentivize management to pursue high-priority financial and strategic goals, as well as provide all stakeholders with a clear and transparent understanding of how variable pay is tied to performance at BAWAG.

With regards to enhancing our CO_2 disclosure, we target to start disclosing CO_2 emissions of our lending and investment book during 2023. The key challenge when reporting on climate-related topics mainly relates to data availability and data quality provided by customers to comprehensively calculate CO_2 emissions within our lending book.

OUTLOOK AND TARGETS

2022 was the year of the unexpected. We witnessed greater market volatility, a surge in inflation, rising interest rates, geopolitical conflict and a slowdown in economic growth during the second half of the year. While governments across Europe have made significant efforts in maintaining gas reserves and sourcing alternative gas providers, the energy market is expected to remain volatile and inflation continues to have a corrosive impact on the most vulnberable in society. No company will be immune to these developments and we expect the second half of 2023 to be equally challenging with continued volatility across markets.

With 2023, we entered into a more normalized interest rate environment based on historic rates and a return to more market-driven dynamics. The expected stagnation of GDP and the effects of inflation as well as rising interest rates for customers requires us to be more vigilant in how we manage these risks. While inflation is expected to come down in 2023, we believe that customers will still be impacted. Despite our strong record of performance over the past decade with an average RoTCE of ~15%, we have underearned over this period defined by negative interest rates. We have an opportunity to deliver more normalized returns in the years ahead. However, we should never confuse the tailwind from a normalization of interest rates with the daily execution of our strategy. Our emphasis on managing costs and maintaining a conservative and disciplined risk appetite is more important than ever. The opportunity lies in maintaining our cost discipline and focusing on risk-adjusted returns while capturing the benefits of a normalized interest rate environment. The resilience of our franchise lies in our ability to deliver results across all cycles as we are built for all seasons. Going forward, we will be able to demonstrate continued positive operating leverage as we see greater revenue growth opportunities while maintaining cost discipline. Our approach is consistent: focus on the things that we can control, be a disciplined lender, maintain a conservative risk appetite and only pursue profitable long term sustainable growth as we look to consistently meet the the financial needs of our customers and local communities, support our team members, and deliver on behalf of our shareholders.

We increased our financial targets laid out at the beginning of the year to core revenue growth of >14% with a net interest income of over € 1.2 billion, while containing operating expenses of around 2% growth, despite significant inflationary headwinds. We also updated our profit before tax target to greater than € 875 million, earnings per share of greater than € 8.20 and a dividend per share of greater than € 4.50, which considers our planned buyback of € 175 million in 2023. In terms of our overall return targets we aim to run our franchise at anRoTCE > 20% and a CIR < 34%.

Our **outlook** and **targets** are as follows:

Outlook	2023 updated	2023 previous	2022
Net interest income	>€1.2 billion	>€1.2 billion	€ 1,021 million
Core revenues	>14% growth	>12% growth	€ 1,330 million
Operating expenses	~2%	~2%	€ 475 million
Risk cost ratio	20-25 basis points	20-25 basis points	19 basis points (underlying*)
Financial targets			2022 (adjusted**)
Profit before tax	>€ 875 million	>€ 825 million	€ 681 million
Earnings per share (including planned 2023 buyback)	>€ 8.20	>€ 7.50	€ 5.81
Dividend per share (including planned 2023 buyback)	>€ 4.50	>€ 4.10	€ 3.70
Return targets	2023 & beyond	2023 & beyond	2022
Return on tangible common equity	>20%	>20%	18.6%
Cost-income ratio	<34%	<34%	35.9%

* excluding the City of Linz write-off as well as the ECL management overlay.

**Note: 2022 adjusted for City of Linz write-off of € 254 million or € 190 million after tax.

Our 2025 ESG targets are as follow:

ESG targets		2025
CO2 emissions (own scope 1&2 emissions***)		>50% reduction vs. 2020
Women quota - Supervisory Board - Senior Leadership Team	Baseline 2020 17% 15%	 33% 33%
Green lending new business (EU-taxonomy + EU-taxonomy aligned purpose outside EU)	€ 0.8 billion	>€ 1.6 billion

***2020 base may be adjusted in case of enhanced scope, M&A etc.

In terms of capital distribution, we will target a dividend payout ratio of 55%. Our primary focus will be to allocate capital to business growth, M&A, minority and platform investments. Any additional excess capital will be used for share buybacks and/or special dividends, subject to our routine annual assessment.

The Management Board deducted dividend accruals of € 176 million from CET1 capital at the end of June 2023 based on our dividend policy. We filed an application for a share buyback of € 175 million in early June 2023, which we expect to execute in the second half of 2023 (subject to regulatory approval). With excess capital of € 330 million as of June 2023 (post the planned buyback and first-half year dividend accruals), we are maintaining dry powder for potential M&A and we will reassess additional capital distribution as part of our annual review with full-year financials.

During the first half 2023, we remained prudent in our provisioning, maintainingg our management overlay at € 100 million, equal to almost one year of normalized risk costs as we prepare for a more volatile market environment in 2023 and beyond. We will continue to maintain our low-risk strategy focused on the DACH/NL region, Western Europe and the United States, providing our customers with simple, straightforward and reliable financial products and services that address our customers' needs and promote their financial health.

28 July 2023

Anas Abuzaakouk
Chief Executive Officer

Enver Sirucic
Member of the Management Board

Sat Shah
Member of the Management Board

David O'Leary
Member of the Management Board

Andrew Wise
Member of the Management Board

Guido Jestädt
Member of the Management Board

Consolidated Half-Year Financial Statements

CONSOLIDATED ACCOUNTS

PROFIT OR LOSS STATEMENT

in € million	[Notes]	**Jan–Jun 2023**	Jan–Jun 2022
Interest income		1,213.6	609.2
thereof calculated using the effective interest method		984.5	494.7
Interest expense		(615.8)	(132.6)
thereof calculated using the effective interest method		(212.3)	(57.0)
Dividend income		2.4	14.9
Net interest income		**600.2**	**491.5**
Fee and commission income		193.1	200.7
Fee and commission expense		(40.2)	(41.5)
Net fee and commission income	**[2]**	**152.9**	**159.2**
Gains and losses on financial assets and liabilities	[3]	(4.6)	(2.2)
thereof gains from the derecognition of financial assets measured at amortized cost		0.0	0.0
thereof losses from the derecognition of financial assets measured at amortized cost		(1.4)	(1.0)
Other operating income		32.2	40.5
Other operating expenses		(66.6)	(75.2)
Operating expenses	[4]	(242.5)	(241.3)
thereof administrative expenses		(210.3)	(210.0)
thereof depreciation and amortization on tangible and intangible non-current assets		(32.2)	(31.3)
Risk costs	[5]	(41.0)	(50.6)
thereof according to IFRS 9		(35.9)	(45.4)
Share of the profit or loss of associates accounted for using the equity method		0.9	0.9
Profit before tax		**431.5**	**322.8**
Income taxes		(111.2)	(78.1)
Profit after tax		**320.3**	**244.7**
Thereof attributable to non-controlling interests		0.0	0.1
Thereof attributable to owners of the parent		**320.3**	**244.6**

STATEMENT OF OTHER COMPREHENSIVE INCOME

in € million	[Notes]	Jan–Jun 2023	Jan–Jun 2022
Profit after tax		**320.3**	**244.7**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) on defined benefit plans		(3.5)	51.0
Fair value changes of shares and other equity investments at fair value through other comprehensive income		(33.7)	(51.6)
Change in credit spread of financial liabilities		(1.0)	5.9
Income tax on items that will not be reclassified		7.4	(3.5)
Total items that will not be reclassified to profit or loss		**(30.8)**	**1.8**
Items that may be reclassified subsequently to profit or loss			
Foreign exchange differences		(2.1)	13.3
Hedge of net investment in foreign operations		1.6	(11.0)
Cash flow hedge reserve		5.4	13.7
thereof transferred to profit (-) or loss (+)[1)]		4.0	4.0
Fair value changes of debt instruments at fair value through other comprehensive income		14.6	(124.8)
thereof transferred to profit (-) or loss (+)		10.0	8.8
Share of other comprehensive income of associates accounted for using the equity method		7.6	0.3
Income tax relating to items that may be reclassified		(5.2)	28.2
Total items that may be reclassified subsequently to profit or loss		**21.9**	**(80.3)**
Other comprehensive income		**(8.9)**	**(78.5)**
Total comprehensive income, net of tax		**311.4**	**166.2**
Thereof attributable to non-controlling interests		0.0	0.1
Thereof attributable to owners of the parent		**311.4**	**166.1**

1) To net interest income.

STATEMENT OF FINANCIAL POSITION

Total assets

in € million	[Notes]	30.06.2023	31.12.2022
Cash reserves		646	520
Financial assets at fair value through profit or loss	[6]	597	557
Financial assets at fair value through other comprehensive income	[7]	2,759	2,743
Financial assets held for trading	[8]	123	156
Financial assets measured at amortized cost	[9]	48,294	51,585
Customers		34,295	35,763
Credit institutions		10,706	12,655
Securities		3,293	3,167
Valuation adjustment on interest rate risk hedged portfolios		(600)	(619)
Hedging derivatives		172	338
Property, plant and equipment		265	268
Investment properties		77	84
Goodwill		98	98
Brand names and customer relationships		237	242
Software and other intangible assets		180	182
Tax assets for current taxes		20	21
Tax assets for deferred taxes	[10]	18	18
Associates recognized at equity		30	25
Other assets		206	280
Non-current assets and disposal groups held for sale	[11]	5	25
Total assets		**53,127**	**56,523**

Total liabilities and equity

in € million	[Notes]	30.06.2023	31.12.2022
Total liabilities		**49,137**	**52,532**
Financial liabilities designated at fair value through profit or loss	[12]	165	204
Financial liabilities held for trading	[13]	615	692
Financial liabilities at amortized cost	[14]	47,100	50,669
Customers		32,659	34,288
Issued bonds, subordinated and supplementary capital		12,840	10,037
Credit institutions		1,601	6,344
Financial liabilities associated with transferred assets		398	394
Valuation adjustment on interest rate risk hedged portfolios		(780)	(891)
Hedging derivatives		313	245
Provisions	[15]	282	284
Tax liabilities for current taxes		128	43
Tax liabilities for deferred taxes	[10]	82	95
Other obligations		834	797
Total equity		**3,990**	**3,991**
Equity attributable to the owners of the parent		3,519	3,520
AT1 capital		471	471
Non-controlling interests		0	0
Total liabilities and equity		**53,127**	**56,523**

STATEMENTS OF CHANGES IN EQUITY

in € million	Subscribed capital	Capital reserves	Other equity instruments issued	Retained earnings reserve	Cash flow hedge reserve net of tax	Actuarial gains/losses net of tax	Debt instruments at fair value through other compre-hensive income net of tax excluding equity associates
Balance as of 01.01.2022	**89**	**1,148**	**471**	**2,706**	**(22)**	**(103)**	**93**
Transfer from other comprehensive income	–	–	–	16	–	–	–
Transactions with owners	0	6	–	(267)	–	–	–
Share-based payment	0	6	–	–	–	–	–
Dividends	–	–	–	(267)	–	–	–
AT1 coupon	–	–	–	(12)	–	–	–
Total comprehensive income	–	–	–	245	10[1)]	35	(93)[2)]
Balance as of 30.06.2022	**89**	**1,154**	**471**	**2,688**	**(12)**	**(68)**	**0**
Balance as of 01.01.2023	**82**	**1,158**	**471**	**2,420**	**(19)**	**(68)**	**(4)**
Transactions with owners	0	4	–	(304)	–	–	–
Share-based payment	0	4	–	–	–	–	–
Dividends	–	–	–	(304)	–	–	–
Transactions with non-controlling interests	–	–	–	0	–	–	–
AT1 coupon	–	–	–	(12)	–	–	–
Total comprehensive income	–	–	–	320	3[1)]	(3)	11[2)]
Balance as of 30.06.2023	**82**	**1,161**	**471**	**2,424**	**(16)**	**(71)**	**8**

1) Thereof transferred to profit or loss: plus € 2.9 million (H1 2022: plus € 3.0 million).
2) Thereof transferred to profit or loss: plus € 7.8 million (H1 2022: plus € 6.6 million).

Debt instruments at fair value through other comprehensive income net of tax from equity associates	Shares and other equity investments at fair value through other comprehensive income net of tax	Change in credit spread of financial liabilities net of tax	Hedge of net investment in foreign operations net of tax	Foreign exchange differences	Equity attributable to the owners of the parent	Non-controlling interests	Equity including non-controlling interests
2	**45**	**(54)**	**7**	**(9)**	**4,373**	**5**	**4,378**
–	–	–	–	–	16	–	16
–	–	–	–	–	(261)	–	(261)
–	–	–	–	–	6	–	6
–	–	–	–	–	(267)	–	(267)
–	–	–	–	–	(12)	–	(12)
–	(38)	4	(11)	14	166	0	166
2	**7**	**(50)**	**(4)**	**5**	**4,281**	**5**	**4,286**
(16)	**18**	**(49)**	**(2)**	**1**	**3,991**	**0**	**3,991**
–	–	–	–	–	(300)	–	(300)
–	–	–	–	–	4	–	4
–	–	–	–	–	(304)	–	(304)
–	–	–	–	–	0	–	0
–	–	–	–	–	(12)	–	(12)
8	(26)	(2)	2	(2)	311	0	311
(8)	**(8)**	**(51)**	**0**	**(1)**	**3,990**	**0**	**3,990**

CONDENSED CASH FLOW STATEMENT

in € million	**Jan–Jun 2023**	Jan–Jun 2022
Profit (after tax, before non-controlling interests)	**320**	**245**
Non-cash items included in the profit (loss) and reconciliation to net cash from operating activities	1	(476)
Change in assets and liabilities arising from operating activities after corrections for non-cash items	(204)	(1,185)
Interest receipts	1,088	600
Interest paid	(559)	(127)
Dividend receipts	5	18
Taxes paid	(37)	(131)
Net cash from operating activities	**614**	**(1,056)**
Cash receipts from sales and redemptions of		
Financial investments	426	1,030
Tangible and intangible non-current assets	16	6
Cash paid for		
Financial investments	(516)	(827)
Tangible and intangible non-current assets	(16)	(31)
Net cash used in investing activities	(127)	178
Dividends paid	**(304)**	**(267)**
AT1 coupon	(12)	(12)
Cash paid for amounts included in lease liabilities	(15)	(2)
Redemption of subordinated liabilities (including those designated at fair value through profit or loss)	(30)	–
Net cash from financing activities	(361)	(281)
Cash and cash equivalents at end of previous period	**520**	**1,894**
Net cash from operating activities	**614**	**(1,056)**
Net cash used in investing activities	**(127)**	**178**
Net cash from financing activities	**(361)**	**(281)**
Cash and cash equivalents at end of period	**646**	**735**

NOTES

The condensed Consolidated Half-Year Financial Statements of BAWAG Group as of 30 June 2023 were prepared in accordance with the International Financial Reporting Standards (IFRS) released by the International Accounting Standards Board (IASB) and in accordance with their interpretation by the IFRS Interpretations Committee (IFRIC/SIC) to the extent adopted by the EU.

These Consolidated Half-Year Financial Statements for the first half 2023 were prepared in accordance with IAS 34 (Interim Financial Reporting).

The accounting principles used in preparing these Consolidated Half-Year Financial Statements are the same as those applied in the consolidated annual financial statements as of 31 December 2022.

The Half-Year Financial Report as of 30 June 2023 was not audited or reviewed by the external auditor.

The reporting currency is euro. Unless indicated otherwise, all figures are rounded to millions of euros. The tables in this report may contain rounding differences.

All monetary figures in foreign currencies are translated at the middle exchange rate on the reporting date.

For details regarding the impact of the current geopolitical situation, please refer to Note 20 in the Risk Report.

Latitude of judgment and uncertainty of estimates

The Consolidated Half-Year Financial Statements include values which are determined, as permitted, on the basis of estimates and judgments. The estimates and judgments used are based on past experience and other factors, such as planning and expectations or forecasts of future events that are considered likely as far as we know today. The estimates and judgments themselves and the underlying estimation methods and judgment factors are reviewed regularly and compared with actual results. With respect to the current geopolitical situation, please refer to the bullet point on IFRS 9.

The measurement of financial instruments and the related estimates in respect of measurement parameters, in particular the future development of interest rates, have a material effect on the results of operations. The parameter values applied by the Bank are derived largely from market conditions prevailing as of the reporting date.

The determination of the fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently, calculation of fair value requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Details regarding valuation techniques and uncertainty of estimates regarding unobservable input factors are described in Note 17 Fair value.

Assessments of the recoverability of long-term loans are based on assumptions regarding the borrower's future cash flows, and, hence, possible impairments of loans and the recognition of provisions for off-balance-sheet commitments in relation to the lending business. In light of the current geopolitical situation (Russia-Ukraine conflict, economic slowdown, banking turmoil), assessments regarding the measurement of individual financial assets, assessments regarding the transfer of financial instruments from Stage 1 to Stage 2, macroeconomic assumptions for the determination of forward-looking information in the course of the calculation of expected credit losses and assumptions for expected cash flows for impaired loans are based on the latest observations available to us. The long-term impact of the current geopolitical situation on economic development, the development of labor and other industry-specific markets as well as the payment holidays granted inside and outside of state or industry moratoria may be overestimated or underestimated when applying hindsight in the future. For details regarding quantitative effects of the current geopolitical situation as of 30 June 2023, please refer to the Risk Report.

Assessments as to whether or not cash-generating units (CGUs) were unimpaired are based on planning calculations. These naturally reflect the management's evaluations, which are in turn subject to a degree of predictive uncertainty.

In determining the amount of deferred tax assets, the Group uses historical utilization possibilities of tax loss carryforwards and a multi-year forecast prepared by the management of the subsidiaries and the approved budget for the following year, including tax planning. The Group regularly re-evaluates its estimates related to deferred tax assets, including its assumptions about future profitability. Details regarding deferred taxes are set out in Note 10 Net deferred tax assets and liabilities on Statement of Financial Position.

Pension obligations are measured based on the projected unit credit method for defined benefit pension plans. In measuring such obligations, assumptions have to be made regarding long-term trends for salaries, pensions and future mortality in particular. Changes in the underlying assumptions from year to year and divergences from the actual effects each year are reported under actuarial gains and losses.

The following items are also subject to the judgment of management:

- recoverability of intangible assets
- recognition of provisions for uncertain liabilities
- assessments of legal risks from legal proceedings, supreme court rulings and inspections of regulatory authorities and the recognition of provisions regarding such risks
- assessment of the lease term applied for the standard IFRS 16 Leases
- assessing which entities are structured entities, and which involvements in such entities are interests
- IFRS 9: Judgment may be required when assessing the SPPI criterion to ensure that financial assets are classified into the appropriate measurement category.
- fair value calculation for unquoted financial instruments where some parameters required for the valuation model are not observable in the market (Level 3). For details regarding effects of the current geopolitical situation as of 30 June 2023, please refer to Note 17 Fair value.

Miscellaneous

The scope of consolidation includes all direct and indirect material equity investments of BAWAG Group.

As of 30 June 2023, the Group consists of 41 (31 December 2022: 41) fully consolidated companies and 2 (31 December 2022: 2) companies that are accounted for using the equity method in Austria and abroad.

In the first quarter of 2023, one company was deconsolidated since the requirements for consolidation according to IFRS 10 were no longer fulfilled.

In the second quarter of 2023, one company was newly established and included in the scope of consolidation.

EVENTS AFTER THE REPORTING DATE

There were no major events after the reporting date.

DETAILS OF THE CONSOLIDATED PROFIT OR LOSS STATEMENT

1 | Earnings per share

Earnings per share pursuant to IAS 33

	Jan–Jun 2023	Jan–Jun 2022
Net result attributable to owners of the parent (in € million)	320.3	244.6
AT1 coupon (in € million)	(12.0)	(12.0)
Net result attributable to owners of the parent after deduction of AT1 coupon (in € million)	**308.3**	**232.6**
Weighted average number of outstanding shares	82,259,037	88,984,943
Basic earnings per share (in €)	**3.75**	**2.61**
Weighted average diluted number of outstanding shares	82,500,069	89,200,630
Diluted earnings per share (in €)	**3.74**	**2.61**

Supplemental information on after-tax earnings per share according to BAWAG Group's internal definition (before deduction of AT1 coupon; not in accordance with IAS 33)

	Jan–Jun 2023	Jan–Jun 2022
Net result attributable to owners of the parent (in € million)	**320.3**	**244.6**
Weighted average diluted number of outstanding shares	82,500,069	89,200,630
After-tax earnings per share in (€) - BAWAG definition	**3.88**	**2.74**

Changes in number of outstanding shares

	Jan–Jun 2023	Jan–Jun 2022
Shares outstanding at the beginning of the period	82,147,160	88,855,047
Shares outstanding at the end of the period	82,298,278	89,004,800
Weighted average number of outstanding shares	82,259,037	88,984,943
Weighted average diluted number of outstanding shares	82,500,069	89,200,630

Earnings per share represent the net result attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the reporting period. As part of our long-term incentive program, shares will be awarded to employees after fulfillment of certain conditions. For these shares, a potential dilutive effect is calculated.

2 | Net fee and commission income

Net fee and commission income can be broken down by BAWAG Group's segments as follows:

Jan–Jun 2023 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	BAWAG Group
Fee and commission income	**172.3**	**20.7**	**-**	**0.1**	**193.1**
Transactional	95.4	20.7	-	-	116.1
Advisory	50.1	-	-	0.5	50.6
Securities	43.1	-	-	0.5	43.6
Insurance	7.0	-	-	-	7.0
Lending and others	26.8	-	-	(0.4)	26.4
Lending	16.1	-	-	-	16.1
Factoring	9.6	-	-	-	9.6
Others	1.1	-	-	(0.4)	0.7
Fee and commission expense	**(37.2)**	**(2.1)**	**(0.3)**	**(0.6)**	**(40.2)**
Transactional	(30.3)	(2.1)	-	-	(32.4)
Advisory	(5.4)	-	-	(0.1)	(5.5)
Securities	(5.4)	-	-	(0.1)	(5.5)
Lending and others	(1.5)	-	(0.3)	(0.5)	(2.3)
Lending	(0.2)	-	-	-	(0.2)
Factoring	(1.3)	-	-	-	(1.3)
Others	-	-	(0.3)	(0.5)	(0.8)
Net fee and commission income	**135.1**	**18.6**	**(0.3)**	**(0.5)**	**152.9**

Jan–Jun 2022 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	BAWAG Group
Fee and commission income	**182.9**	**17.7**	**-**	**0.1**	**200.7**
Transactional	90.5	17.7	-	-	108.2
Advisory	61.7	-	-	0.7	62.4
Securities	54.4	-	-	0.7	55.1
Insurance	7.3	-	-	-	7.3
Lending and others	30.7	-	-	(0.6)	30.1
Lending	19.2	-	-	-	19.2
Factoring	8.6	-	-	-	8.6
Others	2.9	-	-	(0.6)	2.3
Fee and commission expense	**(38.8)**	**(1.8)**	**(0.4)**	**(0.5)**	**(41.5)**
Transactional	(28.4)	(1.8)	-	-	(30.2)
Advisory	(7.0)	-	-	(0.1)	(7.1)
Securities	(7.0)	-	-	(0.1)	(7.1)
Lending and others	(3.4)	-	(0.4)	(0.4)	(4.2)
Lending	(1.9)	-	-	-	(1.9)
Factoring	(1.1)	-	-	-	(1.1)
Others	(0.4)	-	(0.4)	(0.4)	(1.2)
Net fee and commission income	**144.1**	**15.9**	**(0.4)**	**(0.4)**	**159.2**

Net fee and commission income includes an amount of € 3.7 million (H1 2022: € 1.0 million) for fiduciary transactions. Income from payment transfers and securities and custody business is recognized mainly at a point in time. Income from lending is recognized mainly over time. Other income is recognized using a mix of point in time and over time.

3 | Gains and losses on financial assets and liabilities

in € million	Jan–Jun 2023	Jan–Jun 2022
Realized gains/losses on sales of securities	(3.7)	38.5
Fair value gains/losses	(1.7)	(12.9)
Gains/losses from fair value hedge accounting	(30.5)	(23.0)
Others	31.3	(4.8)
Gains and losses on financial assets and liabilities	**(4.6)**	**(2.2)**

The item gains and losses on financial assets and liabilities was influenced primarily by the valuation and sale of the Group's investments, the valuation of issued securities and derivatives.

4 | Operating expenses

in € million	Jan–Jun 2023	Jan–Jun 2022
Staff costs	(153.1)	(145.1)
Other administrative expenses	(57.2)	(64.9)
Administrative expenses	**(210.3)**	**(210.0)**
Depreciation and amortization on tangible and intangible non-current assets	(32.2)	(31.3)
Operating expenses	**(242.5)**	**(241.3)**

5 | Risk costs

in € million	Jan–Jun 2023	Jan–Jun 2022
Loan loss provisions and changes in provisions for off-balance credit risk	(35.9)	(45.4)
Provisions and expenses for operational risk	(0.5)	(1.0)
Impairment losses on non-financial assets	–	–
CDS premia and securitization costs	(4.6)	(4.2)
Risk costs	**(41.0)**	**(50.6)**

DETAILS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

6 I Financial assets at fair value through profit or loss

in € million	30.06.2023	31.12.2022
Financial assets designated at fair value through profit or loss	**54**	**58**
Receivables from customers	54	58
Financial assets mandatorily at fair value through profit or loss	**543**	**499**
Bonds and other fixed income securities	301	307
Receivables from customers	176	78
Subsidiaries and other equity investments	66	113
Financial assets at fair value through profit or loss	**597**	**557**

The category Financial assets designated at fair value through profit or loss contains all financial instruments that are carried at their fair value through profit or loss because the fair value option defined in IFRS 9 has been exercised for them.

The maximum credit risk of loans and advances to customers equals book value.

7 I Financial assets at fair value through other comprehensive income

in € million	30.06.2023	31.12.2022
Debt instruments	**2,629**	**2,578**
Bonds and other fixed income securities	2,629	2,578
Bonds of other issuers	2,580	2,494
Public sector debt instruments	49	83
Subsidiaries and other equity investments	**130**	**165**
AT1 capital	18	16
Investments in non-consolidated subsidiaries	9	10
Interests in associates	0	0
Other shareholdings	103	139
Financial assets at fair value through other comprehensive income	**2,759**	**2,743**

8 I Financial assets held for trading

in € million	30.06.2023	31.12.2022
Derivatives in banking book	**123**	**156**
Foreign currency derivatives	28	66
Interest rate derivatives	95	90
Financial assets held for trading	**123**	**156**

9 | Financial assets measured at amortized cost

The following breakdown depicts the composition of the item Financial assets at amortized cost of the Group.

30.06.2023 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Receivables from customers	34,736	(33)	(140)	(269)	34,295
Securities	3,295	(2)	0	0	3,293
Public sector debt instruments	131	0	–	–	131
Debt instruments of other issuers	3,164	(2)	–	–	3,162
Receivables from credit institutions	10,706	0	0	–	10,706
Total	**48,737**	**(35)**	**(140)**	**(269)**	**48,294**

31.12.2022 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Receivables from customers	36,191	(37)	(131)	(260)	35,763
Securities	3,169	(2)	–	–	3,167
Public sector debt instruments	141	0	–	–	141
Debt instruments of other issuers	3,028	(1)	–	–	3,027
Receivables from credit institutions	12,655	0	0	–	12,655
Total	**52,015**	**(39)**	**(131)**	**(260)**	**51,585**

The following table depicts the breakdown of receivables from customers by credit type:

in € million	**30.06.2023**	31.12.2022
Loans	31,326	32,401
Current accounts	998	1,036
Finance leases	1,527	1,574
Cash advances	249	341
Money market	195	411
Receivables from customers	**34,295**	**35,763**

The following breakdown depicts the composition of the item At amortized cost according to the Group's segments:

30.06.2023 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Retail & SME	21,870	(23)	(78)	(218)	21,551
Corporates, Real Estate & Public Sector	13,353	(12)	(62)	(50)	13,229
Treasury	13,500	0	–	–	13,500
Corporate Center	13	–	–	0	13
Total	**48,737**	**(35)**	**(140)**	**(269)**	**48,294**

31.12.2022 in € million	Total gross carrying amount	Impairments Stage 1	Impairments Stage 2	Impairments Stage 3	Total net carrying amount
Retail & SME	22,312	(25)	(72)	(204)	22,011
Corporates, Real Estate & Public Sector	14,116	(13)	(59)	(56)	13,988
Treasury	15,392	(1)	0	–	15,391
Corporate Center	195	0	0	0	195
Total	**52,015**	**(39)**	**(131)**	**(260)**	**51,585**

10 | Net deferred tax assets and liabilities on Statement of Financial Position

The deferred tax assets and liabilities reported on the Statement of Financial Position are the result of temporary differences between the carrying amounts pursuant to IFRS and the valuations of the following items according to the tax requirements:

in € million	30.06.2023	31.12.2022
Financial liabilities designated at fair value through profit or loss	65	60
Financial assets at fair value through other comprehensive income	54	58
Financial liabilities at amortized cost	350	109
Assets held for trading	106	201
Hedging derivatives	6	11
Provisions	23	35
Tax loss carryforwards	1	1
Other	2	–
Deferred tax assets	**607**	**475**
Financial assets at fair value through profit or loss	70	12
Financial assets at amortized cost	527	466
Internally generated intangible assets	19	20
Other intangible assets	53	54
Property, plant and equipment	2	–
Deferred tax liabilities	**671**	**552**
Net deferred tax assets/liabilities	**(64)**	**(77)**
Deferred tax assets reported on the balance sheet[1)]	**18**	**18**
Deferred tax liabilities reported on the balance sheet	**82**	**95**

1) Representing deferred tax assets of companies that were not part of the tax group.

For each group member, the deferred tax assets and liabilities pertaining to the same local tax authority were offset against each other and reported under Tax assets or Tax liabilities.

Deferred tax assets and deferred tax liabilities have a remaining maturity of more than one year.

As of 30 June 2023, deferred tax assets on tax loss carryforwards of BAWAG Group amount to € 1 million (31 December 2022: € 1 million). The risk that the current geopolitical situation will have an impact on the recoverability of tax loss carryforwards that have not yet been utilized is therefore considered to be low. As can be seen in the table above, the Statement of Financial Position shows a net deferred tax liability of € 64 million (31 December 2022: € 77 million). There is therefore no increased risk that deferred tax assets cannot be used for future taxable profits.

11 | Disclosures in compliance with IFRS 5 – Assets in disposal groups and Obligations in disposal groups

The investment properties classified as non-current assets held for sale in the second half-year 2022 were partly sold in the first half-year of 2023. The remaining book value amounted to € 5 million as of 30 June 2023. These non-current assets held for sale are reported in the segment Corporate Center.

12 | Financial liabilities designated at fair value through profit or loss

in € million	30.06.2023	31.12.2022
Issued bonds, subordinated and supplementary capital	**160**	**199**
Issued debt securities and other securitized liabilities	61	68
Subordinated capital	61	90
Short-term notes and non-listed private placements	38	41
Deposits from customers	**5**	**5**
Financial liabilities designated at fair value through profit or loss	**165**	**204**

13 | Financial liabilities held for trading

in € million	30.06.2023	31.12.2022
Derivatives in banking book	**615**	**692**
Foreign currency derivatives	18	50
Interest rate derivatives	596	639
Credit derivatives	1	3
Financial liabilities held for trading	**615**	**692**

14 | Financial liabilities measured at amortized cost

in € million	30.06.2023	31.12.2022
Deposits from credit institutions	**1,601**	**6,344**
Deposits from customers	**32,659**	**34,288**
Current accounts	16,865	17,709
Retail & SME	13,998	14,721
Corporates, Real Estate & Public Sector	2,849	2,967
Treasury	1	0
Corporate Center	17	21
Deposits	15,794	16,579
Daily deposits	10,522	10,772
Retail & SME	10,075	10,404
Corporates, Real Estate & Public Sector	305	293
Treasury	–	–
Corporate Center	142	75
Term deposits	5,272	5,807
Retail & SME	2,891	2,615
Corporates, Real Estate & Public Sector	2,381	2,646
Treasury	–	546
Corporate Center	–	–
Issued bonds, subordinated and supplementary capital	**12,840**	**10,037**
Issued debt securities	11,220	8,678
Subordinated capital	43	43
Supplementary capital	600	602
Other obligations evidenced by paper	977	714
Financial liabilities at amortized cost	**47,100**	**50,669**

As of 30 June 2023, BAWAG Group utilized € 0.6 billion of funding under the ECB's TLTRO III facility (31 December 2022: € 5.4 billion). An amount of € 2 billion was repaid early in January 2023. An amount of € 2.8 billion was repaid in June 2023 due to contractual maturity.

The interest expense from the TLTRO III program amounting to € 48.3 million (H1 2022: negative interest expense amounting to € 31.5 million) is reported under interest expense (H1 2022: under interest income).

The ECB also allowed for three additional early repayment options and therefore for termination or reduction of these refinancing operations before final maturity. This change of terms and conditions was recognized as a modification by BAWAG Group, which did not result in a derecognition.

The outstanding TLTRO facility is recognized at amortized cost using the effective interest rate method under deposits from credit institutions. BAWAG Group uses the specific applicable interest rate expected for the respective individual interest period of TLTRO III.

Based on an analysis of the conditions observable for BAWAG Group on the market for comparable secured refinancing, the Bank has come to the conclusion that the conditions of the TLTRO III program do not offer any significant advantage compared to the market. The liabilities were therefore recognized as a financial instrument in accordance with IFRS 9.

15 | Provisions

in € million	30.06.2023	31.12.2022
Provisions for social capital	261	260
Thereof for severance payments	65	65
Thereof for pension provisions	175	174
Thereof for jubilee benefits	21	21
Anticipated losses from pending business	15	13
Credit promises and guarantees	15	13
Other items including legal risks	6	11
Provisions	**282**	**284**

According to IAS 19, provisions for post-employment and termination benefits and for jubilee benefits are calculated using the projected unit credit method. A discount rate of 3.8% was used (31 December 2022: 3.9%). Furthermore, the wage growth rates were adjusted as well: wage growth post-employment pension obligations of 1.0%–2.5% p.a., wage growth severance payments of 3.25% p.a. and wage growth anniversary bonuses of 2.0%–3.0% p.a. (31 December 2022: wage growth post-employment pension obligations of 1.0%–2.95% p.a., wage growth severance payments of 3.95% p.a. and wage growth anniversary bonuses of 2.0%–3.65% p.a.). Actuarial adjustments resulted in a negative net impact of € 2.7 million in other comprehensive income and a positive net impact of € 0.0 million in profit (H1 2022: a positive net impact of € 35 million in other comprehensive income and a positive net impact of € 4 million in profit).

16 | Related parties

Transactions with related parties

The following table shows transactions with related parties:

30.06.2023 in € million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidia-ries, not consolida-ted	Associates	Joint ventures	Other companies
Receivables – customers	–	–	56	0	83	–
Unutilized credit lines	–	–	16	4	8	–
Securities	–	–	–	24	–	–
Other assets (incl. derivatives)	–	–	3	–	–	–
Financial liabilities – customers	–	–	11	60	–	–
Other liabilities (incl. derivatives)	–	–	0	–	–	–
Guarantees provided	–	–	3	–	–	–
Interest income[1])	–	–	0.7	0.5	0.4	–
Interest expense	–	–	0.0	0.5	0.0	–
Net fee and commission income	–	–	0.0	6.1	0.0	–

1) Gross income; hedging costs not offset.

31.12.2022 in € million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidia-ries, not consolida-ted	Associates	Joint ventures	Other companies
Receivables – customers	–	–	59	0	84	–
Unutilized credit lines	–	–	14	14	7	–
Securities	–	–	–	24	–	–
Other assets (incl. derivatives)	–	–	3	–	–	–
Financial liabilities – customers	–	–	14	77	1	–
Other liabilities (incl. derivatives)	–	–	0	–	–	–
Guarantees provided	–	–	3	–	–	–
Interest income[1])	–	–	0.8	0.3	0.2	–
Interest expense	–	–	0.0	1.1	0.0	–
Net fee and commission income	–	–	0.0	9.7	0.0	–

1) Gross income; hedging costs not offset.

30.06.2022 in € million	Parent company	Entities with joint control of, or significant influence over, the entity	Subsidia-ries, not consolida-ted	Associates	Joint ventures	Other companies
Receivables – customers	–	–	66	0	89	–
Unutilized credit lines	–	–	13	14	5	–
Securities	–	–	–	23	–	–
Other assets (incl. derivatives)	–	–	4	–	–	–
Financial liabilities – customers	–	–	8	86	–	0
Other liabilities (incl. derivatives)	–	–	–	–	–	–
Guarantees provided	–	–	1	–	–	–
Interest income[1])	–	–	0.0	0.1	0.1	–
Interest expense	–	–	0.0	0.5	–	–
Net fee and commission income	–	–	0.0	6.0	0.0	–

1) Gross income; hedging costs not offset.

Information regarding natural persons

The following breakdowns depict the business relations with related individuals and their family members. All business is conducted at standard industry and group terms for employees or at standard market terms.

	Key management of the entity or its parent	Other related parties[1]	Key management of the entity or its parent	Other related parties[1]
in € million	**30.06.2023**	**30.06.2023**	31.12.2022	31.12.2022
Deposits	11	0	8	1
Loans	35	0	36	2
Interest income	0.4	–	0.1	0.0
Interest expense	0.1	0.0	0.0	0.0

1) With respect to Key management.

	Key management of the entity or its parent	Other related parties[2]	Total	Key management of the entity or its parent	Other related parties[2]	Total
Number of shares	**30.06.2023**	**30.06.2023**	**30.06.2023**	31.12.2022	31.12.2022	31.12.2022
Shares of BAWAG Group AG[1]	2,855,100	55,400	**2,910,500**	2,609,750	55,200	**2,664,950**

1) Key management includes related trusts.
2) With respect to Key management.

Share based payments

In January 2022, the Nomination and Remuneration Committee of BAWAG established a new long-term incentive program (“BAWAG LTIP 2025”). The purpose of the BAWAG LTIP 2025 is to retain key personnel (*retention aspect*) and to effectively align the interests of participants with the long-term performance of BAWAG Group by considering BAWAG’s externally communicated multi-year performance targets until 2025 (*interest alignment aspect*). The awards under the BAWAG LTIP 2025 will, subject to certain conditions as outlined below, be delivered in the form of ordinary shares of BAWAG Group AG (no phantom shares) in 2026 and 2027.

The vesting conditions comprise the following:

- **Retention condition:** In light of the retention aspect of the BAWAG LTIP 2025, participants are required to be employed in good standing at the beginning of 2026.
- **Performance condition:** The performance conditions as specified below.
- **Regulatory vesting requirement:** Regulatory vesting requirements in accordance with the applicable regulatory framework (e.g. no malus is applied to the individual or to all BAWAG LTIP 2025 participants, vesting is sustainable according to the financial and risk situation of BAWAG Group).

In order to effectively align the interests of participants of the BAWAG LTIP 2025 with the long-term performance of BAWAG Group, the performance conditions are tied to the multi-year performance targets until 2025 as presented at the investor day 2021. They consist of financial and non-financial/ESG targets which are split as follows:

Financial targets	70%	Non-financial/ESG targets	30%
Profit before tax target ("PBT") >€ 750 million	30%	CO_2 emission target >50% reduction	10%
Earnings per share target ("EPS") >€ 7.25	20%	Women quota target	10%
Dividend per share target ("DPS") >€ 4.00	20%	*Supervisory Board (33%)*	5%
		Senior Leadership Team (33%)	5%
		Green lending business target	10%

Subject to the vesting conditions as outlined above, 88% of the BAWAG LTIP 2025 award shall vest in early 2026 and 12% of the BAWAG LTIP 2025 award shall vest in early 2027. Upon delivery of the shares, the shares will remain subject to retention during a period in accordance with applicable regulatory requirements, which currently stands at one year (one-year retention period). The financial and non-financial/ESG targets are deemed fulfilled if all financial targets or all non-financial/ESG targets are met at any financial year-end (i.e. year-end 2022/23/24). The assessment of whether and to what extent the vesting conditions (including the performance targets) under the BAWAG LTIP 2025 have been fulfilled will be carried out by the Remuneration Committee of BAWAG.

In addition, employees may receive a so-called special bonus award. The awards will be delivered in the form of ordinary shares of BAWAG Group AG (no phantom shares) subject to the employee continuing his employment with BAWAG Group up to and including February 29, 2028. No performance condition applies to this plan. Subject to the vesting conditions as outlined above, the award will be delivered in early 2028, with the shares remaining subject to retention during a period in accordance with applicable regulatory requirements, which currently stands at one year (one-year retention period).

Accounting

These programs represent equity-settled share-based payment transactions that are accounted for in compliance with IFRS 2. The following awards have been granted within the BAWAG LTIP 2025 program:

	Number of shares	Fair value in € million	Fair value per share on the grant date
Granted as of 30.06.2023	678,632	24.7	36.47

The following table shows an overview of the shares awarded per group of beneficiaries:

Group of beneficiaries	Number of shares awarded	Maximum number of shares to be actually allocated	Minimum number of shares to be actually allocated	Number of shares actually allocated on grant date
Members of the Management Board				
Anas Abuzaakouk	104,333	104,333	–	–
Guido Jestädt	25,080	25,080	–	–
David O'Leary	62,199	62,199	–	–
Sat Shah	78,250	78,250	–	–
Enver Sirucic	70,224	70,224	–	–
Andrew Wise	72,231	72,231	–	–
Members of the Senior Leadership Team	266,315	266,315	–	–
Total	**678,632**	**678,632**	**–**	**–**

The following awards have been granted as a special bonus:

	Number of shares	Fair value in € million	Fair value per share on the grant date
Granted as of 30.06.2023	193,792	6.4	33.00

The following table shows an overview of the shares awarded per group of beneficiaries:

Group of beneficiaries	Number of shares awarded	Maximum number of shares to be actually allocated	Minimum number of shares to be actually allocated	Number of shares actually allocated on grant date
Members of the Senior Leadership Team	193,792	193,792	–	–
Total	**193,792**	**193,792**	**–**	**–**

Valuation

BAWAG Group used the fair value of the equity instruments granted to measure the fair value of the services received from its employees. The fair value of the equity instruments on the grant date was based on the observable market price of BAWAG Group AG shares on 24 January 2022 for LTIP 2025 and on the observable market price of BAWAG Group AG shares on 24 January 2023 for the special bonus award. An adjustment for expected dividends was incorporated into the measurement of fair value. For the programs, no market and non-vesting conditions were defined.

Non-market performance conditions (including service conditions and non-market financial performance conditions) are not taken into account when measuring the grant date fair value of equity instruments. Instead, those are taken into account by adjusting the number of equity instruments included in the measurement of the transaction.

Accounting for cancellations

If a grant of equity instruments (equity-settled share-based payment) is canceled or settled during the period between granting and vesting, the cancellation or settlement is accounted for as an acceleration of vesting, and the amount that otherwise would have been recognized for services received over the remainder of the vesting period is immediately recognized in profit or loss. Any payment made to the employee on the cancellation or settlement of the grant is accounted for as a deduction from equity. If the payment exceeds the fair value of the equity instruments granted, measured at the repurchase date, the exceeding amount is recognized as an expense.

Amounts recognized in the consolidated financial statements

The services received in an equity-settled share-based payment transaction are recognized as the services are received, with a corresponding increase in equity. The following amounts have been recognized under the BAWAG LTIP 2025 in the Profit or Loss Statement for the period:

in € million	**Jan–Jun 2023**	Jan–Jun 2022
Expenses for equity-settled share-based payments	3.1	3.1
Thereof relating to		
Members of the Management Board	1.9	1.9
Members of the Senior Leadership Team	1.2	1.2

The following amounts have been recognized under the special bonus in the Profit or Loss Statement for the period:

in € million	Jan–Jun 2023	Jan–Jun 2022
Expenses for equity-settled share-based payments	0.6	–
Thereof relating to		
Members of the Senior Leadership Team	0.6	–

SEGMENT REPORTING

This information is based on the Group structure as of 30 June 2023.

The segment reporting presents the results of the operating business segments of BAWAG Group. The following segment information is based on IFRS 8 *Operating Segments*, which follows the management approach. In this, the segment information is prepared based on the internal reports used by the Management Board to assess the performance of the segments and to make decisions on allocating resources to the segments.

The breakdown of the net interest income and its allocation to the segments in the management report is based on the principles of the market interest rate method, also taking into account allocated liquidity costs and premiums. According to this method, it is assumed that asset and liability items are refinanced by means of money and capital market transactions with corresponding maturities, and that there is therefore no interest rate risk. The interest rate risk is managed actively through asset and liability management, and the related results are reported in the Corporate Center. The remaining earnings components and the directly allocable costs are assigned to the respective business units based on where they are incurred. The overhead costs and planned depreciations are assigned to the individual segments according to an allocation factor. Regulatory charges and corporate tax are allocated based on relevant input parameters.

BAWAG Group is managed in accordance with the following four business and reporting segments:

- **Retail & SME** – includes savings, payment, card and lending activities, investment and insurance services for our private customers, small business lending, factoring & leasing business and our social housing activities as well as own issues covered with retail assets and Wohnbaubank bonds. The segment services its domestic and international private and small business customers through a centrally managed branch network focused on high-touch and high-quality advisory and complementary online, mobile and platform (broker, dealers) and partnership channels providing 24/7 customer access and driving asset origination. Our online product offering for example covers savings, payments, securities, card and lending activities for private and small business customers while the platform business provides auto, mobile and real estate leasing as well as consumer and mortgage loans. It also includes lending portfolios to our international retail borrowers in Western Europe and the United States. While driving our cross-border multi-brand and multi-channel strategy, we are committed to conservative lending strongly supported by our platform business in the DACH/NL-region, which primarily offers secured mortgage lending.

- **Corporates, Real Estate & Public Sector –** includes lending activities to international corporates as well as international real estate financing activities. It also includes our corporate, mid-cap and public sector lending business and other fee-driven financial services for mainly Austrian and German customers. Own issues covered with corporate or public sector assets are included in this segment as well.

- **Treasury –** includes any treasury activities associated with providing trading and investment services such as certain asset-liability management transactions (including secured and unsecured funding) and the investment results of the portfolio of financial securities of BAWAG Group.

- **Corporate Center –** provides central functions for the entire Group such as legal services, risk management and Group asset-liability management and includes unallocated items related to these support functions, accounting positions (e.g. market values of derivatives), the company's equity, real estate and fixed assets, non-interest bearing assets and liabilities as well as selected results related to subsidiary and participation holdings and reconciliation positions.

Our segments are fully aligned with our business strategy as well as our objective of providing transparent reporting of our business units and Bank-wide results while minimizing the financial impact within the Corporate Center. The segments in detail:

Jan-Jun 2023 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	423.9	144.0	26.3	6.0	600.2
Net fee and commission income	135.1	18.6	(0.3)	(0.5)	152.9
Core revenues	**559.0**	**162.6**	**26.0**	**5.5**	**753.1**
Other income [1]	2.3	(1.6)	(0.3)	(3.6)	(3.1)
Operating income	**561.3**	**161.0**	**25.7**	**2.0**	**750.0**
Operating expenses	**(173.1)**	**(37.4)**	**(20.0)**	**(9.6)**	**(240.1)**
Pre-provision profit	**388.2**	**123.6**	**5.7**	**(7.7)**	**509.9**
Regulatory charges	(12.7)	(8.2)	(5.8)	(11.6)	(38.3)
Total risk costs	(39.4)	0.0	(1.8)	0.2	(41.0)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	0.9	0.9
Profit before tax	**336.1**	**115.4**	**(1.9)**	**(18.1)**	**431.5**
Income taxes	(84.0)	(28.9)	0.5	1.2	(111.2)
Profit after tax	**252.1**	**86.5**	**(1.4)**	**(16.9)**	**320.3**
Non-controlling interests	–	–	–	0.0	0.0
Net profit	**252.1**	**86.5**	**(1.4)**	**(16.9)**	**320.3**
Business volumes					
Assets	22,033	13,742	16,664	688	53,127
Liabilities	36,978	7,739	3,472	4,938	53,127
Risk-weighted assets	9,295	6,988	1,828	1,511	19,622

1) The position "Other Income" includes gains and losses on financial instruments and other operating income and expenses

Jan-Jun 2022 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
Net interest income	355.8	128.9	21.1	(14.3)	491.5
Net fee and commission income	144.1	15.9	(0.4)	(0.4)	159.2
Core revenues	**499.9**	**144.8**	**20.6**	**(14.6)**	**650.7**
Other income [1)]	1.4	20.2	17.3	(32.8)	6.1
Operating income	**501.5**	**165.0**	**37.9**	**(47.6)**	**656.8**
Operating expenses	**(171.9)**	**(36.5)**	**(19.6)**	**(10.7)**	**(238.7)**
Pre-provision profit	**329.6**	**128.4**	**18.4**	**(58.3)**	**418.1**
Regulatory charges	(18.5)	(10.0)	(6.4)	(10.7)	(45.6)
Total risk costs	(35.4)	(11.6)	(2.7)	(0.9)	(50.6)
Share of the profit or loss of associates accounted for using the equity method	–	–	–	0.9	0.9
Profit before tax	**275.7**	**106.8**	**9.3**	**(69.0)**	**322.8**
Income taxes	(68.9)	(26.7)	(2.3)	19.8	(78.1)
Profit after tax	**206.8**	**80.1**	**7.0**	**(49.2)**	**244.7**
Non-controlling interests	–	–	–	(0.1)	(0.1)
Net profit	**206.8**	**80.1**	**7.0**	**(49.3)**	**244.6**
Business volumes					
Assets	22,353	15,916	15,149	1,611	55,029
Liabilities	34,062	12,486	3,099	5,382	55,029
Risk-weighted assets	9,452	8,309	1,616	1,949	21,326

1) The position “Other Income” includes gains and losses on financial instruments and other operating income and expenses

As the internal and external reporting of BAWAG Group is fully harmonized, the total of reportable segments’ measures of profit or loss do not differ from the Bank’s profit or loss. Therefore, no separate reconciliation column is shown in the segment tables.

Geographical split

The tables below show a geographical split of the business segments based on the risk-related assignment of individual customers to a country. Customer groups are not aggregated and assigned to a single country (i.e. the country of the parent company) but allocated to their respective countries on a single entity level.

The following tables show core revenues per segment and geography:

Jan-Jun 2023 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
DACH / NL	525.7	67.4	8.5	(1.2)	600.4
thereof Austria	421.5	51.8	1.2	(0.6)	473.9
thereof Germany	78.7	14.5	4.9	(0.8)	97.3
Western Europe/USA	33.3	95.2	17.5	6.7	152.7
Total	**559.0**	**162.6**	**26.0**	**5.5**	**753.1**

Jan-Jun 2022 in Mio. €	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total
DACH / NL	473.7	52.8	3.8	(28.2)	502.1
thereof Austria	395.5	37.5	(0.2)	(24.6)	408.2
thereof Germany	57.3	13.9	2.2	(3.7)	69.7
Western Europe/USA	26.2	92.0	16.8	13.6	148.6
Total	**499.9**	**144.8**	**20.6**	**(14.6)**	**650.7**

The segment result can be reconciled with the Profit or Loss Statement as follows:

in € million	**Jan–Jun 2023**	Jan–Jun 2022
Other operating income and expenses according to segment report	1.6	8.3
Regulatory charges	(36.0)	(43.0)
Other operating income and expenses according to Consolidated Profit or Loss Statement	**(34.4)**	**(34.7)**

in € million	**Jan–Jun 2023**	Jan–Jun 2022
Operating expenses according to segment report	(240.1)	(238.7)
Regulatory charges	(2.4)	(2.6)
Operating expenses according to Consolidated Profit or Loss Statement	**(242.5)**	**(241.3)**

CAPITAL MANAGEMENT

Regulatory reporting is performed on the level of BAWAG Group. The following table shows the breakdown of own funds of BAWAG Group applying transitional rules and its own funds requirement as per 30 June 2023 and 31 December 2022 pursuant to CRR applying IFRS figures and the CRR scope of consolidation.

	BAWAG Group	
in € million	30.06.2023	31.12.2022
Share capital and reserves (including funds for general banking risk)	3,366	3,366
Deduction of intangible assets	(415)	(414)
Other comprehensive income	(153)	(144)
Prudent valuation, cumulative gains due to changes in own credit risk on fair valued liabilities, prudential filter for unrealized gains, cash flow hedge reserve	9	10
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(1)	(0)
Securitisation positions which can alternatively be subject to a 1250 % risk weight	(3)	–
Insufficient coverage for non-performing exposures	(2)	(0)
Additional deductions of CET 1 capital due to article 3 CRR	(30)	(25)
Common Equity Tier I	**2,772**	**2,793**
Capital instruments eligible as additional Tier 1 capital	**475**	**475**
Less significant investments	(69)	(70)
Additional Tier I	**406**	**405**
Tier I	**3,178**	**3,197**
Tier II capital	585	592
Tier II capital in grandfathering	11	13
Excess IRB risk provisions	47	48
Less significant investments	(24)	(24)
Tier II	**619**	**628**
Own funds	**3,796**	**3,825**

Capital requirements (risk-weighted assets) based on a fully loaded basis

	BAWAG Group	
in € million	30.06.2023	31.12.2022
Credit risk	17,523	18,642
Operational risk	2,100	2,022
Capital requirements (risk-weighted assets)	**19,622**	**20,664**

Supplemental information on a fully loaded basis

	BAWAG Group	
	30.06.2023	31.12.2022
Common Equity Tier 1 capital ratio based on total risk	14.8%	13.5%
Total capital ratio based on total risk	20.0%	18.5%

Key figures according to CRR including its transitional rules

	BAWAG Group	
	30.06.2023	31.12.2022
Common Equity Tier 1 capital ratio based on total risk	14.1%	13.5%
Total capital ratio based on total risk	19.3%	18.5%

17 | Fair value

The following tables depict a comparison of the carrying amounts and fair values for selected items on the Statement of Financial Position.

in € million	Carrying amount 30.06.2023	Fair value 30.06.2023	Delta Fair value/Carrying amount 30.06.2023	Carrying amount 31.12.2022	Fair value 31.12.2022	Delta Fair value/Carrying amount 31.12.2022
Assets						
Cash reserves	646	646	–	520	520	–
Financial assets designated at fair value through profit or loss	54	54	–	58	58	–
Loans to customers	54	54	–	58	58	–
Financial assets mandatorily at fair value through profit or loss	543	543	–	499	499	–
Securities	301	301	–	307	307	–
Loans to customers	176	176	–	78	78	–
Subsidiaries and other equity investments	66	66	–	113	113	–
Financial assets at fair value through other comprehensive income	2,759	2,759	–	2,743	2,743	–
Debt instruments	2,629	2,629	–	2,578	2,578	–
Subsidiaries and other equity investments	130	130	–	165	165	–
Financial assets held for trading	123	123	–	156	156	–
At amortized cost	48,294	47,002	(1,292)	51,585	50,102	(1,483)
Customers	34,295	33,072	(1,223)	35,763	34,374	(1,389)
Credit institutions	10,706	10,701	(5)	12,655	12,639	(16)
Securities	3,293	3,229	(64)	3,167	3,089[1)]	(78)
Valuation adjustment on interest rate risk hedged portfolios	(600)	(600)	–	(619)	(619)	–
Hedging derivatives	172	172	–	338	338	–
Property, plant and equipment	265	n/a	n/a	268	n/a	n/a
Investment properties	77	77	–	84	84	–
Intangible non-current assets	515	n/a	n/a	522	n/a	n/a
Other assets	274	n/a	n/a	344	n/a	n/a
Non-current assets and disposal groups held for sale	5	5	–	25	25	–
Total assets	**53,127**			**56,523**		

1) Adjusted due to a technical error.

in € million	Carrying amount 30.06.2023	Fair value 30.06.2023	Delta Fair value/Carrying amount 30.06.2023	Carrying amount 31.12.2022	Fair value 31.12.2022	Delta Fair value/Carrying amount 31.12.2022
Equity and liabilities						
Financial liabilities designated at fair value through profit or loss	165	165	–	204	204	–
Issued debt securities and other securitized liabilities	99	99	–	109	109	–
Subordinated and supplementary capital	61	61	–	90	90	–
Deposits from customers	5	5	–	5	5	–
Financial liabilities held for trading	615	615	–	692	692	–
Financial liabilities at amortized cost	47,100	46,666	(434)	50,669	50,289	(380)
Deposits from credit institutions	1,601	1,584	(17)	6,344	6,326	(18)
Deposits from customers	32,659	32,547	(112)	34,288	34,148	(140)
Issued bonds, subordinated and supplementary capital	12,840	12,535	(305)	10,037	9,815	(222)
Financial liabilities associated with transferred assets	398	398	–	394	394	–
Valuation adjustment on interest rate risk hedged portfolios	(780)	(780)	–	(891)	(891)	–
Hedging derivatives	313	313	–	245	245	–
Provisions	282	n/a	n/a	284	n/a	n/a
Other obligations	1,044	n/a	n/a	935	n/a	n/a
Equity	3,990	n/a	n/a	3,991	n/a	n/a
Non-controlling interests	0	n/a	n/a	0	n/a	n/a
Total liabilities and equity	**53,127**			**56,523**		

The fair values of material investment properties are based on external and internal valuations. The carrying amount of other assets and other obligations is a reasonable approximation of their fair value. Therefore, information on the fair value of these items is not shown.

Market standard valuation methods are used to determine the fair value of assets and liabilities. With regard to Level 3 assets and liabilities for which non-observable valuation parameters are used for measurement, the current macroeconomic environment results in increased uncertainty with regard to the measurement of the fair value of these items.

Carrying amount adjustments of hedged items in a portfolio fair value hedge are presented in a separate balance sheet item Valuation adjustment on interest rate risk hedged portfolios in accordance with IFRS 9. To enable a direct comparison with the balance sheet items, fair value changes relating to the interest rate risk hedged here are also presented in a separate line.

In the following economic view, the fair value of deposits from customers is obtained by using the present value method based on expected cash flows established in the various contracts and subsequently discounted. Thereby, an internal model for estimating current account maturities and other demand deposits calibrated based on available internal historical information is used. This model takes the sensitivity of its remuneration at market rates and the level of permanence of account balances into account.

in € million	Carrying amount 30.06.2023	Fair value 30.06.2023	Delta Fair value/Carrying amount 30.06.2023	Carrying amount 31.12.2022	Fair value 31.12.2022	Delta Fair value/Carrying amount 31.12.2022
Assets						
Cash reserves	646	646	–	520	520	–
Financial assets designated at fair value through profit or loss	54	54	–	58	58	–
Loans to customers	54	54	–	58	58	–
Financial assets mandatorily at fair value through profit or loss	543	543	–	499	499	–
Securities	301	301	–	307	307	–
Loans to customers	176	176	–	78	78	–
Subsidiaries and other equity investments	66	66	–	113	113	–
Financial assets at fair value through other comprehensive income	2,759	2,759	–	2,743	2,743	–
Debt instruments	2,629	2,629	–	2,578	2,578	–
Subsidiaries and other equity investments	130	130	–	165	165	–
Financial assets held for trading	123	123	–	156	156	–
At amortized cost	48,294	47,002	(1,292)	51,585	50,102	(1,483)
Customers	34,295	33,072	(1,223)	35,763	34,374	(1,389)
Credit institutions	10,706	10,701	(5)	12,655	12,639	(16)
Securities	3,293	3,229	(64)	3,167	3,089[1)]	(78)
Valuation adjustment on interest rate risk hedged portfolios	(600)	(600)	–	(619)	(619)	–
Hedging derivatives	172	172	–	338	338	–
Property, plant and equipment	265	n/a	n/a	268	n/a	n/a
Investment properties	77	77	–	84	84	–
Intangible non-current assets	515	n/a	n/a	522	n/a	n/a
Other assets	274	n/a	n/a	344	n/a	n/a
Non-current assets and disposal groups held for sale	5	5	–	25	25	–
Total assets	**53,127**			**56,523**		

1) Adjusted due to a technical error.

in € million	Carrying amount 30.06.2023	Fair value 30.06.2023	Delta Fair value/Carry-ing amount 30.06.2023	Carrying amount 31.12.2022	Fair value 31.12.2022	Delta Fair value/Carry-ing amount 31.12.2022
Equity and liabilities						
Financial liabilities designated at fair value through profit or loss	165	165	–	204	204	–
Issued debt securities and other securitized liabilities	99	99	–	109	109	–
Subordinated and supplementary capital	61	61	–	90	90	–
Deposits from customers	5	5	–	5	5	–
Financial liabilities held for trading	615	615	–	692	692	–
Financial liabilities at amortized cost	47,100	45,374	(1,726)	50,669	48,731	(1,938)
Deposits from credit institutions	1,601	1,584	(17)	6,344	6,326	(18)
Deposits from customers	32,659	31,255	(1,404)	34,288	32,590	(1,698)
Issued bonds, subordinated and supplementary capital	12,840	12,535	(305)	10,037	9,815	(222)
Financial liabilities associated with transferred assets	398	398	–	394	394	–
Valuation adjustment on interest rate risk hedged portfolios	(780)	(780)	–	(891)	(891)	–
Hedging derivatives	313	313	–	245	245	–
Provisions	282	n/a	n/a	284	n/a	n/a
Other obligations	1,044	n/a	n/a	935	n/a	n/a
Equity	3,990	n/a	n/a	3,991	n/a	n/a
Non-controlling interests	0	n/a	n/a	0	n/a	n/a
Total liabilities and equity	**53,127**			**56,523**		

Fair value hierarchy

The following table depicts an analysis of the fair values of financial instruments and investment properties on the basis of the fair value hierarchy in IFRS 13. The breakdown consists of the following groups:

- **Level 1:** The value of financial instruments is measured using a quoted price without adjustment. This includes government bonds, bonds with quoted prices and exchange-traded derivatives.

- **Level 2:** If no current, liquid market values are available, generally accepted, standard state-of-the-art methods of measurement are used. This applies to the category liabilities evidenced by paper (issued by BAWAG Group), and, in individual cases, other current financial assets in the Bank's trading portfolio where the valuation of plain vanilla securities was performed on the basis of the yield curve plus the current credit spread. The value is measured using input factors (default rates, costs, liquidity, volatility, interest rates, etc.) to derive values from quoted prices (Level 1). This pertains to prices that are calculated using internal models or using valuation methods, as well as to external price quotes for securities that are traded on markets with limited liquidity and that are demonstrably based on observable market prices.

  This category includes the majority of the OTC derivative contracts, corporate bonds and other bonds for which no quoted price is available, as well as the majority of the Group's own issues that are recognized at their fair values.

  For customer receivables accounted for at fair value, modeling techniques following industry standard models are applied, for example discounted cash flow analysis and standard option pricing models. Market parameters such as interest rates, FX rates or volatilities are used as inputs to the valuation models to determine fair value. The discount curves used to determine the pure time value of money contain only instruments that assume no or only low default risk, such as swap rates. Spread curves that reflect the refinancing costs of the respective borrower are either derived from outstanding funding instruments, distinguished by seniority (senior unsecured, subordinated, collateralized funding), or benchmark yield curves (e.g. indices).

  Linear derivative financial instruments containing no optional components (such as interest rate swaps, currency forwards and futures) were also measured using a present value technique (discounting of future cash flows applying the current swap curve, derivatives with counterparties with a Credit Support Annex [CSA] agreement are discounted by the corresponding RFR curve [risk free rate; e.g. €STR]).

  Optional instruments were measured using option price models such as Black-Scholes (swaptions, caps, floors), Bachelier (caps, floors and swaptions in currencies with negative interest rates), Garman-Kohlhagen (currency options) or the Hull-White model (swaps with multiple cancellation rights), which were implemented and applied consistently in the front office systems.

  The basic parameters on which the models are based (yield curves, volatilities and exchange rates) are input into the system by the Market Risk unit independently of the Treasury departments, which ensures the separation of front office functions from back office processing and control.

  For more complex derivatives that are held for hedging purposes and that are concluded back to back, external valuations are obtained by the Market Risk unit and input into the systems for correct processing.

  Standard providers such as Bloomberg and Markit are used to evaluate the spreads of issued securities recognized at fair value through profit or loss. A senior unsecured spread curve and an LT2 spread curve are calculated based on the term structure of the A Europe Financial sector curve and the quotes of the international BAWAG P.S.K. issues. For covered issues, the spread curve is derived directly from the quotes of several BAWAG P.S.K.

benchmark bonds. The securities prices for BAWAG P.S.K. issues are then calculated by discounting the swap curve adapted by the spread.

As of 30 June 2023, the portion of change in fair value of securities issued by BAWAG Group accounted for solely by changes in the Group's credit spreads was minus € 1.4 million (plus € 6.9 million as of 31 December 2022). This is defined as the product of the credit spread basis point value with the respective spread change, supplemented by the pull-to-par effect. As of 30 June 2023, the cumulative fair value change resulting from changes in the Group's credit rating amounted to plus € 3.5 million (plus € 4.9 million as of 31 December 2022).

A one basis point narrowing of the credit spread is expected to change their valuation by minus € 0.03 million (minus € 0.04 million as of 31 December 2022).

The cumulative fair value change of receivables recognized at fair value through profit or loss that was recognized due to changes in credit spreads amounted to € 0.2 million as of 30 June 2023 (€ 0.2 million as of 31 December 2022) and is calculated as the change in the spread between the government yield curve and the swap curve during the observed period. The respective annual fair value change amounted to € 0.0 million (€ 0.2 million as of 31 December 2022).

A one basis point narrowing of the credit spread is expected to change their valuation by plus € 0.03 million (plus € 0.03 million as of 31 December 2022).

- **Level 3:** The measurement is based on unobservable input factors that have a material influence on the market value. This pertains primarily to illiquid funds as well as own issues of BAWAG P.S.K. Wohnbaubank. Loans and receivables and financial liabilities measured at amortized cost are valued using the discounted cash flow method using a spread-adjusted swap curve. This also pertains to stakes in non-consolidated subsidiaries that are classified as mandatorily at fair value through profit or loss or at fair value through other comprehensive income and customer liabilities accounted for at fair value through profit or loss.

  The fair values of material investment properties are based on external and internal valuations.

  For the determination of the credit value adjustment for the credit risk of OTC derivatives, netting effects at the customer level within transactions of the same kind and currency are taken into account.

30.06.2023 in € million	Level 1	Level 2	Level 3	**Total**
Assets				
Financial assets designated at fair value through profit or loss	–	54	–	54
Financial assets mandatorily at fair value through profit or loss	2	24	517	543
Financial assets at fair value through other comprehensive income	2,604	42	113	2,759
Debt instruments	2,604	25	–	2,629
Subsidiaries and other equity investments	–	17	113	130
Financial assets held for trading	–	123	–	123
Valuation adjustment on interest rate risk hedged portfolios	–	(600)	–	(600)
Hedging derivatives	–	172	–	172
Investment properties	–	–	77	77
Total assets	**2,606**	**(185)**	**712**	**3,133**
Liabilities				
Financial liabilities designated at fair value through profit or loss	–	141	24	165
Issued debt securities and other securitized liabilities	–	75	24	99
Subordinated and supplementary capital	–	61	–	61
Deposits from customers	–	5	0	5
Financial liabilities held for trading	–	615	–	615
Valuation adjustment on interest rate risk hedged portfolios	–	(780)	–	(780)
Hedging derivatives	–	313	–	313
Total liabilities	**–**	**289**	**24**	**313**

31.12.2022 in € million	Level 1	Level 2	Level 3	Total
Assets				
Financial assets designated at fair value through profit or loss	–	58	–	58
Financial assets mandatorily at fair value through profit or loss	2	24	473	499
Financial assets at fair value through other comprehensive income	2,427	167	149	2,743
Debt instruments	2,427	151	–	2,578
Subsidiaries and other equity investments	–	16	149	165
Financial assets held for trading	–	156	–	156
Valuation adjustment on interest rate risk hedged portfolios	–	(619)	–	(619)
Hedging derivatives	–	338	–	338
Investment properties	–	–	84	84
Non-current assets and disposal groups held for sale	–	–	25	25
Total assets	**2,429**	**124**	**731**	**3,284**
Liabilities				
Financial liabilities designated at fair value through profit or loss	–	172	32	204
Issued debt securities and other securitized liabilities	–	77	32	109
Subordinated and supplementary capital	–	90	–	90
Deposits from customers	–	5	–	5
Financial liabilities held for trading	–	692	–	692
Valuation adjustment on interest rate risk hedged portfolios	–	(891)	–	(891)
Hedging derivatives	–	245	–	245
Total liabilities	**–**	**218**	**32**	**250**

BAWAG Group recognizes transfers between levels as of the end of the reporting period during which the transfer has occurred.

Movements between Level 1 and Level 2

In the first half 2023, securities at fair value through other comprehensive income with a book value of € 0 million (31 December 2022: € 28 million) were moved from Level 1 to Level 2 due to subsequent illiquid market prices. Securities at fair value through other comprehensive income with a book value of € 100 million (31 December 2022: € 4 million) were moved from Level 2 to Level 1 due to a more liquid market.

Movements in Level 3 financial instruments measured at fair value

The changes in financial instruments accounted for at fair value in the Level 3 category were as follows:

			Financial assets at fair value through other comprehensive income		
in € million	Financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Debt instruments	Subsidiaries and other equity investments	Financial liabilities
Opening balance as of 01.01.2023	**473**	**–**	**–**	**149**	**32**
Valuation gains (losses) in profit or loss					
for assets held at the end of the period	(16)	–	–	–	(1)
for assets no longer held at the end of the period	0	–	–	–	–
Valuation gains (losses) in other comprehensive income					
for assets held at the end of the period	–	–	–	(35)	0
for assets no longer held at the end of the period	–	–	–	–	–
Purchases/Additions	109	–	–	1	0
Redemptions	(46)	–	–	–	(7)
Sales	(0)	–	–	0	–
Foreign exchange differences	(2)	–	–	(2)	–
Change in scope of consolidation	(1)	–	–	–	–
Closing balance as of 30.06.2023	**517**	**–**	**–**	**113**	**24**

			Financial assets at fair value through other comprehensive income		
in € million	Financial assets mandatorily at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Debt instruments	Subsidiaries and other equity investments	Financial liabilities
Opening balance as of 01.01.2022	**460**	**–**	**–**	**147**	**40**
Valuation gains (losses) in profit or loss					
for assets held at the end of the period	12	–	–	(1)	(1)
for assets no longer held at the end of the period	(1)	–	–	–	–
Valuation gains (losses) in other comprehensive income					
for assets held at the end of the period	–	–	–	(4)	1
for assets no longer held at the end of the period	–	–	–	–	–
Purchases/Additions	76	–	–	5	–
Redemptions	(24)	–	–	–	(8)
Sales	(56)	–	–	(3)	–
Foreign exchange differences	7	–	–	6	–
Change in scope of consolidation	(1)	–	–	(1)	–
Closing balance as of 31.12.2022	**473**	**–**	**–**	**149**	**32**

Valuation (including the parameterization of observable input factors) is performed by a market-independent back office division within the risk group on a monthly basis. Changes that have occurred are verified, as far as possible, by comparing them to references observable on the market.

Quantitative and qualitative information regarding the valuation of Level 3 financial instruments

The main unobservable input factor for own issues of BAWAG P.S.K. Wohnbaubank and the former IMMO-BANK is the spread premium on the swap curve, which is used to determine the risk-adjusted discount curve. Subsequently, the fair value is calculated by discounting the future cash flows with the risk-adjusted discount curve. The gross spread premium for own issues of BAWAG P.S.K. Wohnbaubank depends on the maturity and is currently 101 basis points (31 December 2022: 125 basis points) for 5 years (mid). For issues of the former IMMO-BANK, the spreads depend on the seniority of the bond and the maturity.

In general, the mentioned input parameter is dependent on the general market development of credit spreads within the banking sector and in detail on the credit rating development of the housing banks, with spread increases having a positive effect.

In general, the discounted cash flow method (DCF) is used to determine the fair values of loans. Caps, floors or simple call options, if existing, are measured using the Bachelier model. The discount factor used in the DCF consists of various parameters: the funding curve (derived from a peer group of European banks with the same rating as BAWAG P.S.K.) and a customer-specific credit spread curve (derived from the CDS or CDS Markit Sector curve, depending on availability; for retail and SME, from an internally derived default probability), which is adjusted by the respective collateral ratio.

For illiquid funds that could not be sold in time for the published net asset values, a discount is applied as an input factor which is not directly observable, taking the expected selling price into account. The fair value is subsequently calculated as the difference between the net asset values and this liquidity discount. The funds are reported under Financial assets mandatorily at fair value through profit or loss.

The fair value of non-traded investment funds is based on fair value quotes provided by the fund manager.

For real estate investment funds, the underlying investments are appraised at least annually by an independent appraiser engaged by the fund manager; net asset value (NAV) is determined at least quarterly. The net asset value of the investment fund corresponds to the excess of the value of the investment fund's assets over the value of its liabilities.

Funds investing in loan portfolios are valued by an independent external valuation agent based on a discounted cash flow methodology that uses proprietary default and prepayment models to derive expected cash flows, which are discounted at a market rate. The model utilizes credit and performance as well as macroeconomic indicators to forecast cash flows for each loan pool segmented by origination, vintage, sub-grade and term. Net asset value is calculated on a monthly basis.

The fund's financial statements are prepared according to local GAAP and an independent auditor conducts the annual audit for the funds, providing assurance on the accuracy of the above.

The dividend discount and discounted earnings method is applied to a significant part of the investments in equity instruments. A smaller portion is valued based on external price indications and pro-rata equity.

Expected dividends and earnings as well as external price indications take into account the most recent forecasts, including the observed and expected impact of the current geopolitical situation on the profitability of the companies concerned.

The fair values of customer liabilities at fair value through profit or loss are determined analogously to receivables using the discounted cash flow method and the Bachelier model.

Sensitivity analysis of fair value measurement from changes in unobservable parameters

If the value of financial instruments is dependent on unobservable input parameters, the precise level for these parameters can be drawn from a range of reasonably possible alternatives. The current geopolitical situation results in increased uncertainty with regard to unobservable input parameters and the measurement of the fair value of such items. Financial liabilities in Level 3 that are measured at fair value through profit or loss relate to own issues of BAWAG P.S.K. Wohnbaubank and the former IMMO-BANK and customer deposits in start:bausparkasse.

If the credit spread used in calculating the fair value of own issues increased by 20 basis points, the accumulated valuation result as of 30 June 2023 would have increased by € 0.0 million (31 December 2022: € 0.0 million). If the credit spread used in calculating the fair value of own issues decreased by 20 basis points, the accumulated valuation result as of 30 June 2023 would have decreased by € 0.0 million (31 December 2022: € 0.0 million).

The cumulative fair value change of receivables recognized at fair value through profit or loss that was recognized due to changes in credit spreads amounted to plus € 1.1 million as of 30 June 2023 (31 December 2022: plus € 1.8 million) and is calculated as the change in the credit spread over the swap curve during the observed period. The corresponding annual fair value change amounted to minus € 0.7 million (31 December 2022: minus € 0.2 million).

A one basis point narrowing of the credit spread is expected to change their valuation by plus € 0.07 million (31 December 2022: plus € 0.04 million).

If the credit spread used in calculating the fair value of loans increased by 100 basis points, the accumulated valuation result as of 30 June 2023 would have decreased by € 6.5 million (31 December 2022: € 2.3 million). If the credit spread used in calculating the fair value of loans decreased by 100 basis points, the accumulated valuation result as of 30 June 2023 would have increased by € 7.1 million (31 December 2022: € 2.6 million).

If the liquidity discount of illiquid funds is increased by 10 percentage points, the valuation result as of 30 June 2023 would have decreased by € 0.4 million (31 December 2022: € 0.5 million). If the liquidity discount of illiquid funds is decreased by 10 percentage points, the valuation result as of 30 June 2023 would have increased by € 0.4 million (31 December 2022: € 0.5 million).

For the valuation of a part of the investments in equity instruments, the main input parameters are the discount factor, dividend income or earnings as well as (possibly) necessary capital measures. If the discount rate for investments in equity instruments is decreased by 100 basis points, the fair value would increase by € 3.8 million (thereof € 1.9 million FVTOCI and € 1.9 million FVTPL; 31 December 2022: € 18.1 million; thereof € 14.3 million FVTOCI and € 3.8 million FVTPL), whereas if the discount rate is increased by 100 basis points, the fair value would decrease by € 2.8 million (thereof € 1.3 million FVTOCI and € 1.5 million FVTPL; 31 December 2022: € 14.3 million; thereof € 11.3 million FVTOCI and € 3.0 million FVTPL). If changes in dividend income or net profit where applicable rose by 20%, the fair value of those assets would rise by € 1.2 million (thereof € 0.5 million FVTOCI and € 0.7 million FVTPL; 31 December 2022: € 40.4 million; thereof € 34.2 million FVTOCI and € 6.2 million FVTPL); if changes in dividend income or net profit where applicable declined by 20%, the fair value would decrease by € 1.1 million (thereof € 0.5 million FVTOCI and € 0.6 million FVTPL; 31 December 2022: € 39.4 million; thereof € 33.4 million FVTOCI and € 6.0 million FVTPL).

A part of the investments in equity instruments is valued based on external price indications. If these indications were 10% lower, the fair value of this portion would decrease by € 12.4 million (thereof € 8.9 million FVTOCI and € 3.5 million FVTPL; 31 December 2022: € 8.2 million, thereof € 2.0 million FVTOCI and € 6.2 million FVTPL). If these indications were 10% higher, the fair value of this portion would increase by € 12.4 million (thereof € 8.9 million FVTOCI and € 3.5 million FVTPL; 31 December 2022: € 8.2 million; thereof € 2.0 million FVTOCI and € 6.2 million FVTPL).

The smallest portion is valued based on pro-rata equity. If the equity was 10% lower, this would result in a decrease of € 2.3 million (thereof € 1.4 million FVTOCI and € 0.9 million FVTPL; 31 December 2022: € 3.3 million; thereof € 2.4 million FVTOCI and € 0.9 million FVTPL), whereas if the equity was 10% higher, there would be an increase of € 2.3 million (thereof € 1.4 million FVTOCI and € 0.9 million FVTPL; 31 December 2022: € 3.3 million; thereof € 2.4 million FVTOCI and € 0.9 million FVTPL).

The fair value of the non-traded investment fund is based on fair value quotes provided by the fund manager. Based on the current portfolio allocation, one fund has an expected interest rate sensitivity of approximately minus € 0.2 million (31 December 2022: minus € 0.2 million) if rates rise by 100 bp and a credit spread sensitivity of minus € 0.2 million (31 December 2022: minus € 0.2 million) if credit spreads widen by 100 bp (and vice versa).

For the other fund, the following applies: If the fair value indicated increased by 10%, the Group would recognize a gain of € 18.9 million in profit or loss (31 December 2022: € 19.0 million). If the fair value indicated decreased by 10%, the Group would recognize a loss of € 18.9 million in profit or loss (31 December 2022: € 19.0 million).

Fair value changes of Level 3 assets with alternative parametrization

To determine the potential impact, credit spreads are used for debt securities, income funds with the risk factor credit spreads as well as loans. For these, the value range between +100 bp and -50 bp is used in the sensitivity analysis. An increase (a reduction) in spreads leads to a reduction (an increase) in the respective fair value.

30.06.2023 in € million	(50) bp	+50 bp	+100 bp
Financial assets at fair value through profit or loss	**3.5**	**(3.4)**	**(6.7)**
Debt securities	0.0	0.0	0.0
Loans to customers	3.4	(3.3)	(6.5)
Income funds	0.1	(0.1)	(0.2)
Financial assets at fair value through other comprehensive income	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0

31.12.2022 in € million	(50) bp	+50 bp	+100 bp
Financial assets at fair value through profit or loss	**1.4**	**(1.3)**	**(2.5)**
Debt securities	0.0	0.0	0.0
Loans to customers	1.3	(1.2)	(2.3)
Income funds	0.1	(0.1)	(0.2)
Financial assets at fair value through other comprehensive income	**0.0**	**0.0**	**0.0**
Debt securities	0.0	0.0	0.0

18 | Treatment of day one gain

IFRS 9.B5.1.2A states that the fair value on initial recognition will normally be equal to the transaction price. If the entity determines that the fair value on initial recognition differs from the transaction price and this fair value measurement is not evidenced by a valuation technique that uses only data from observable markets, the carrying amount of the financial instrument on initial recognition is adjusted. If the fair value of a loan portfolio differs from the transaction price, the initial recognition must be based on the fair value but will be adjusted for any day one profit or loss; this will eventually lead to a book value of the loan portfolio that equals the transaction price.

In the case of the acquisition of several loan portfolios, market interest rates on the transaction date were different than when prices were negotiated. In the majority of cases, the seller wanted to exit the respective business and therefore the transaction prices did not represent the fair value of the loans. The initial recognition is based on the fair value of the acquired loans and receivables determined using a DCF method taking into consideration market conditions on the purchase date. Because the fair value and therefore the day one gain or loss is neither evidenced by a quoted price nor based on a valuation technique that uses only data from observable markets, the day one gain or loss must not be realized on day one but must be accrued and the difference is subsequently recognized as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price. IFRS 9 does not state how to subsequently measure this difference.

IFRS does not provide guidance on the presentation of the amortization of day one profit or loss. Day one profit or loss will be amortized on a systematic basis and is presented as part of interest income for performing loans and as part of risk costs for loans classified as POCI. The following differences will be recognized in income in subsequent years:

in € million	30.06.2023	31.12.2022
Balance at the beginning of the period	**67**	**14**
New transactions	(5)	77
Amounts recognized in profit or loss during the period	(16)	(24)
FX effects	0	0
Balance at the end of the period	**46**	**67**

19 | Contingent assets, contingent liabilities and unused lines of credit

in € million	30.06.2023	31.12.2022
Contingent liabilities	**156**	**166**
Arising from guarantees	156	166
Unused customer credit lines	**9,162**	**9,267**
Thereof terminable at any time and without notice	7,354	7,198
Thereof not terminable at any time	1,808	2,069

RISK REPORT

BAWAG Group is a focused bank with a low-risk, simple and transparent business model. We concentrate on developed markets with strong banking and legal infrastructures, primarily the DACH/NL region, Western Europe and the United States. We specialize in retail and SME banking activities and serve customers with comprehensive savings, lending, investment and bank-assurance products. Our liquidity is primarily provided by stable retail deposits. Simplicity and efficiency are the foundation of our operations, in which we simplify processes from end to end in order to provide our customers with clarity, ease and value through our products.

In addition to our low-risk business model, risk management and the active steering of risks are primary components of the Group's business strategy. "Safe and Secure" is a core pillar of our strategy and there is a high level of commitment across the entire organization to manage the Bank according to a low risk profile. We believe our risk management approach is a differentiator in our market and is key to achieving our strategic and financial objectives as well as creating value for our shareholders and protecting our customers.

Safe and Secure is a cornerstone of our Group strategy and our risk policies and governance. It is founded on the following tenets:

- Maintaining strong capital position, stable retail deposits and low risk profile
- Focus on mature, developed and sustainable markets
- Applying conservative and disciplined underwriting in markets we understand with focus on secured lending
- Maintain a fortress balance sheet
- Proactively manage and mitigate non-financial risk

H1 2023 summary

- Stress Test 2023 results

  - Today the EBA and ECB published the results of the 2023 stress test. Under the theoretical adverse scenario, BAWAG Group's CET1 ratio would fall by 90 basis points to 12.61% after three years from 13.51% at year-end 2022.
  - Despite the harsher economic assumptions in the 2023 exercise, this represents a further improvement from the 2021 stress test results, where BAWAG's impact was a decrease of 198 basis points of CET1 in the adverse case. The strength of this result places BAWAG #2 among the 57 EBA Eurozone stress-tested banks and #5 among the 70 total EBA sample in terms of adverse CET1 impact.
  - The adverse stress test assumptions were set for a three-year time horizon (2023-2025). The stress test was carried out based on a static balance sheet as of December 2022. The assumptions for BAWAG Group in this year's stress test were more severe than in 2021 with a 6% cumulative decline in GDP and an inflation of +18% over the forecast period in addition to declines in commercial real estate values of 29% and residential housing prices of 30% on a weighted average.
  - For BAWAG Group, the 3-year impact on CET1 ratio was -90 basis points in this year's stress test compared to -198 basis points in 2021 and -240 basis points in the 2018 stress test. Despite these stress assumptions, in no year does the bank's capital fall below the 12.25% CET1 target set by management with significant cushion to minimum requirements throughout. The bank remains profitable in all years, with dividend payments continuing as per our dividend policy across the stressed time horizon in the adverse case.

- The macroeconomic environment in the first half-year of 2023 was characterized by continuing uncertainty driven by the economic impacts resulting from the shocks of the global pandemic and the ongoing Russia-Ukraine war. Inflationary forces and consumer prices surged across our markets to levels unseen in decades. Central banks have reversed long-held easy-money economic policy and aggressively raised interest rates to slow the economies and reduce inflation. The US has led by raising rates over 500 basis points to a 16 year high in May, and ECB has raised rates from (0.5)% in 2022 to 3.5% in June. The impact of these forces on our economies has been visible yet not fully absorbed. The impacts on the economy were compounded by the banking turmoil in US and Switzerland. In combination, it has resulted in significantly slowed economic growth in the first half year 2023, and a corresponding slowdown of lending demand mostly in the Retail & SME Segment based on reduced credit affordability.

- Our primary markets in Austria, Western Europe and the US have been anchored by resilient employment levels and strong financial position of our consumers. Yet the downside risks remain significant as persistent inflation or disorderly tightening of financial conditions could expose economic vulnerabilities, in particular entities or customers with high debt levels. We believe that our risk position and historic underwriting has positioned our bank well to withstand adverse developments. We maintain prudence while facing the current economic uncertainty through management overlays, high levels of capital and liquidity well in excess of requirements and prominent stable funding sources.

- ECL reserves have increased by 4% to € 187 million (FY 2022: € 180 million), incorporating the current economic outlook and supported by unchanged management overlay.

- The management overlay in excess of modeled reserves has remained stable at € 100 million (FY 2022: € 100 million). BAWAG will continue to monitor potential economic development in light of the continuing uncertainty and revisit management overlay assumptions and needs regularly.

- High asset quality demonstrated by stable high share of 93% (FY 2022: 93%) of customer book in Stage 1 (performing) and 5% (FY 2022: 5%) in Stage 2 (performing, but increased credit risk). BAWAG's Stage 2 assets remain low as a share of our total book, reflecting the resilient underwriting standards.

- Strong credit profile with stable NPL ratio at 0.9% (FY 2022: 0.9%), with improved NPL cash coverage at 53% (FY 2022: 52%) and stable NPL coverage ratio at 82% (FY 2022: 82%).

- First half-year 2023 risk costs of € 41 million (HY 2022: € 51 million) represent a 19% decrease to 19 basis points (HY 2022: 23 basis points).

- Robust liquidity in half-year end with LCR of 207% (FY 2022: 225%) and NSFR of 136% (FY 2022: 127%), both of which are well above regulatory requirements.

- Exposure to industries with moderate-high to high ESG risk including high-emissions industries and fossil-fuel-related exposures remains low (<2% of total). ESG risks are incorporated into the risk steering framework, risk strategy and internal capital allocation across risk types and risk management guidelines.

- No direct exposure to Russia or Ukraine and limited exposure to Eastern Europe, reflecting our strategic focus on the DACH/NL region, Western Europe and the United States over the past decade. While our exposures to clients that are indirectly impacted by the crises (e.g. supply chain or sales networks) are limited, we will continue to remain cautious, prudent and closely monitor our exposures and actively reach out to the clients to minimize any stress that may arise from secondary impacts.

Development of key risk metrics

	Total book		
in € million	**30.06.2023**	31.12.2022	vPYE
NPL ratio	0.9%	0.9%	0.0pp
NPL cash coverage ratio	53.1%	52.3%	0.8pp
NPL coverage ratio	81.8%	82.5%	(0.7)pp
Impairments Stage 1 and 2	187	179	8
Impairments Stage 3	272	263	9
LCR	207%	225%	(18)pp
NSFR	136%	127%	9pp

Risk statement

BAWAG Group is active in commercial banking activities, focusing primarily on retail & SME banking with a secondary focus on corporate, public and commercial real estate financing in selective markets, constantly assessing appropriate risk-adjusted returns. As such, the Bank assumes risks inherent to the banking industry, as well as the economy in general. BAWAG Group closely monitors and manages all such risks within a strict and comprehensive risk framework, with the intent to mitigate such risks as negative impacts may occur and ensure adequate levels of capital and liquidity.

BAWAG Group has established a comprehensive and forward-looking risk management framework, which considers the nature, scale and complexity of the Group's business activities and the resulting risks. The Group's risk management governance and oversight involves understanding drivers of risks, types of risks and impacts of risks. BAWAG Group's approach to risk, risk appetite and the governance framework remained unchanged.

The following divisions oversee the implementation and execution of risk-related guidelines (as of 30.06.2023):

- Risk Modelling
- Validation
- Commercial Risk Management
- Retail Risk Management
- Group Data Warehouse (joint reporting line to Risk and Finance)

20 | Current geopolitical situation – Impacts on risk management

The economic environment remains uncertain and consensus economic forecasts an economic slowdown in future quarters. Three times in the past four years the banking industry has been tested with new crises and, more broadly, required banks to address unique risks and volatile market conditions. The pandemic, the outbreak of a war in Europe and banking turmoil in the US and Switzerland opened new fronts of unprecedented events leading to stress in capital markets, significant economic shifts impacting our customers, and uncertain economic consequences. The need for continual re-evaluation of excess capital and liquidity as well as of prudent and active risk management has been at the forefront of our business strategy. The current environment is characterized by:

- Inflation at a 40-year high with an impact on real income with increased cost of living and increased operational expenses for companies also not solely driven by high wage inflation
- War in Ukraine lacking transparency of economic impacts, potential spread and a foreseeable end
- Industry headwinds and declines in output due to supply chain issues and inflationary forces

- Tightening of monetary policy with central banks stopping asset purchases and increasing base rates
- Slowdown in retail loan demand mainly driven by rising interest rates and its knock-on effects on affordability
- Increased borrowing costs across all markets impacting ability to pay and asset valuations at maturities
- Slowdown in commercial real estate financing

Governance

During the past years, the risk management framework of BAWAG Group has demonstrated that it can seamlessly adapt its risk assessment, measurement and reporting to reflect the unprecedented impacts and fluid nature of the current situation, which is a testament to our robust risk infrastructure (IT, reporting, analytics) and governance framework.

Management relies on a highly proactive risk management approach and granular focus to driving operations. Enhanced governance steps and frequencies exist to ensure immediacy of performance in areas of stress, unified responses across our operations and data-driven decisions. This setup is unique and critical to dealing effectively across all our markets and channels with the following actions and initiatives being taken or continued:

- Recurring steering meetings with the Management Board and relevant divisions across the organization and markets to facilitate focused operational reviews, timely decision-making and prioritization for seamless operational execution
- Regular monitoring reports of key performance indicators (KPIs) of customer behavior across the credit risk life cycle covering new business applications, revolving limit utilization and collections performance and macro developments
- Dedicated credit risk reporting and relative market pricing with reviews of certain corporate sub-portfolios and regular outreach to financial sponsors or management to understand the latest position
- Extended risk reporting to provide up-to-date monitoring of the development of particular portfolios, customer groups and products affected by the current crisis, changes in market prices (funding and pricing), and loss expectations
- Ongoing review of IFRS 9 provisions under various macroeconomic scenarios
- Daily liquidity monitoring

Underwriting

The Bank follows a conservative underwriting approach with clearly defined underwriting guidelines and a focus on high levels of collateralization, appropriate debt service-to-income metrics and risk-adjusted returns. Underwriting decisions are supported by strong risk analytics capabilities, which ensured a targeted review of risk appetite and execution of associated credit actions during the last years to reflect the anticipated adverse macroeconomic environment. The full range of loan products continues to be provided, thereby consistently following our approach already initiated in 2019 to shift our new business mix towards secured lending products.

Performed impact analysis on current geopolitical situation

- Adjustments to the credit box for retail consumer and mortgage loans to reflect increasing housing costs as well as general inflationary, supply chain and interest rate impacts.
- Corporates & Real Estate Book:
  - Commercial Underwriting Guidelines were adjusted reflecting adjusted thresholds, additional information and analysis needs to assess the impacts of the current environment in single deal underwriting
  - Majority of CRE customers contractually required to hedge interest rate risk or deposit interest reserve and / or provide sponsor guarantee
  - Additional deep dives performed, e.g., stress testing to interest rate increases in light of market volatility
  - Stress testing of office exposures
  - High ability of corporate customers to pass on the effect of increased (energy) prices to their clients with overall immaterial assets to energy-intensive industries (e.g., steel, cement, chemicals, building materials).

- An ECL overlay in the amount of € 100 million – already incorporating updated base and pessimistic macroeconomic scenarios into the model which the Bank expects to cover the impacts of a stagflation scenario of high inflation and near recession
- Russian / Ukraine:
  - No direct exposure neither to Russian or Ukrainian companies (ultimate risk view) nor to sanctioned individuals/entities, also no trade finance with Russia or CEE countries
  - Tight monitoring of developments and sanctions to ensure full and immediate implementation into risk policies/underwriting guidelines
  - Neither maintaining nor conducting any securities brokerage, custody, settlement or clearing relationships with Russian/Ukrainian counterparties nor with corresponding subsidiaries
  - Total exposure to Eastern Europe (ultimate risk view) below 1% of total assets
  - A small share of companies with at total exposure below 1% of total assets with reliance on Russian markets (automotive, wood, gas) be it with local subsidiaries, clients or suppliers under tight monitoring but currently with no indication of elevated/unmitigable risk.

Commercial Real Estate

There has been a slowdown in commercial real estate financing during recent quarters, mainly driven by weakening investor sentiment in reaction to the current economic environment. Higher interest rates have led to higher capitalization rate expectations (lower valuations), decreased ability to meet interest payment requirements. In addition, inflation has added to operational expenses and cost of living, all of which compound to stress the commercial real estate markets in the US and Europe. Office continues to be the primary asset class of stress, given the impacts remaining from the pandemic which has created reduced demand due to the adoption and migration to working from home arrangements. This has impacted lower quality buildings (B and C class-defined with aged construction and lack of amenities), whereas high quality A class buildings have been less effected yet quite vulnerable to the market adjustments. Industrial and logistics, residential and hospitality which constitute the majority of the CRE portfolio are performing in line with expectations within a moderately slowing economy scenario.

BAWAG Group focuses on senior secured loans to high-quality counterparties, neither doing mezzanine nor pure land financing. We primarily finance granular multi-asset portfolios, often with multiple collateral types. The asset class diversity provides an additional margin of safety. Whereas the portfolio is primarily floating rate, our underwriting approach includes several risk mitigating measures such as hedging requirements, interest reserves and sponsor guarantees. The geographical focus continues to be in Western Europe and the US. New origination shifted predominantly to industrial/logistics and residential assets since 2020, asset classes with positive fundamentals and comprise 65% of the total Commercial Real Estate portfolio up from 48% in 2020. Conversely, new lending was materially reduced in Retail to 6% (FY 2020: 12%) and in Office to 20% (FY 2020: 29%) as the fundamentals driven by online shopping and work from home trends have eroded value in these categories. This shift in risk appetite was undertaken several years ago which benefit us with limited exposure to retail and office today.

Our US real estate exposure, which accounts for 44% of the total Commercial Real Estate portfolio, has grown over the past few years, mainly from residential, industrial and logistics assets. These asset classes account for 72% of our US commercial real estate exposure.

Provisioning

BAWAG Group has taken measures to address the current inherent uncertainty as a result of the crisis to ensure the appropriate and timely identification of distressed debtors and adequate levels of provisioning across all stages of credit risk.

The Bank has established a comprehensive framework to determine IFRS 9 expected credit loss (ECL), which provides for future losses which have not yet occurred by identifying macro forecast influences, customers with higher risk profiles and ultimately customers with increased likelihood of payment defaults. It was ensured that the core concepts for the assessment of a significant increase of credit risk were maintained with the fullest diligence (for a more detailed description, please refer to the ECL section in the credit risk part in this half-year report). Given the current economic uncertainty, the Bank has applied adaptions and created management overlays to these concepts to ensure an adequate level of provisioning. At 30 June 2023, BAWAG Group had increased ECL provisions by 4% to € 187 million (FY 2022: € 180 million) including a management overlay of € 100 million in excess of modeled ECL to ensure adequate provisioning for potential unforeseen negative economic developments. BAWAG Group is closely monitoring the further macroeconomic development in the markets we operate in. The release of the management overlay will be assessed when the volatility and uncertainty of the macroeconomic environment have dissipated.

21 | Credit risk

The definitions of credit risk (including default, forbearance, UTP), credit risk governance, risk mitigation (collateral and valuation), creditworthiness assessment, credit risk measurement tools and processes including workout and early recognition of troubled assets remained unchanged in the first half of 2023 compared to FY 2022.

The following sections provide an overview of the structure and the portfolio quality in the individual segments.

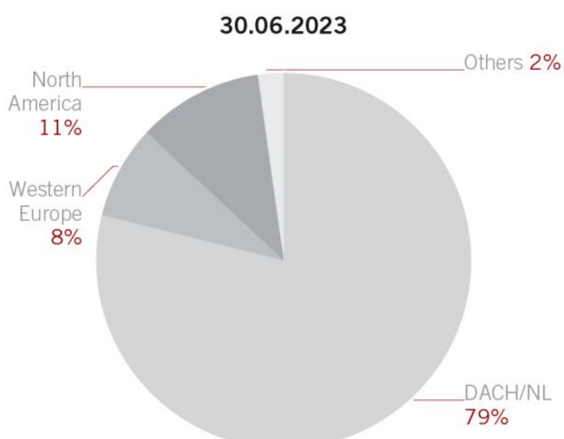
30.06.2023 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total portfolio
At amortized cost	21,551	13,230	13,500	13	48,294
Financial assets FVPL/FVOCI	163	388	2,518	112	3,181
On-balance business	***21,714***	***13,618***	***16,018***	***125***	***51,475***
Off-balance business	4,170	1,986	1,204	694	8,054
Total	**25,884**	**15,604**	**17,222**	**819**	**59,529**
thereof collateralized	16,882	5,970	669	148	23,669
thereof NPL (gross view)	451	106	–	–	558
Impairments Stage 1	27	15	1	–	43
Impairments Stage 2	81	62	0	–	143
Impairments Stage 3	219	53	–	–	272
Total Impairments	**327**	**130**	**1**	**–**	**458**
Prudential filter	13	11	–	–	24

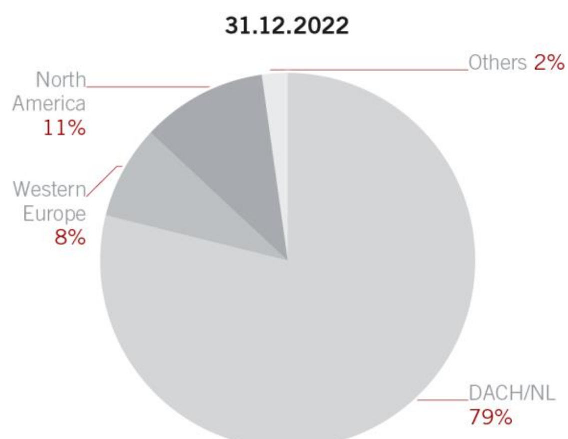
31.12.2022 in € million	Retail & SME	Corporates, Real Estate & Public Sector	Treasury	Corporate Center	Total portfolio
At amortized cost	22,011	13,988	15,391	195	51,585
Financial assets FVPL/FVOCI	63	387	2,474	119	3,043
On-balance business	***22,074***	***14,375***	***17,865***	***314***	***54,628***
Off-balance business	4,328	2,045	1,157	792	8,322
Total	**26,402**	**16,420**	**19,022**	**1,106**	**62,950**
thereof collateralized	17,138	5,902	809	302	24,151
thereof NPL (gross view)	419	119	–	–	538
Impairments Stage 1	29	17	1	–	47
Impairments Stage 2	74	59	0	–	133
Impairments Stage 3	205	58	–	–	263
Total Impairments	**307**	**134**	**1**	**–**	**442**
Prudential filter	9	10	–	–	19

Geographical distribution of the lending and securities portfolio

The geographical distribution of the lending portfolio is in line with BAWAG Group's strategy of focusing on stable economies and currencies. A total of 98% (FY 2022: 98%) of the lending portfolio[1)] and 92% (FY 2022: 93%) of the securities[2)] portfolio is located in Western Europe and North America.

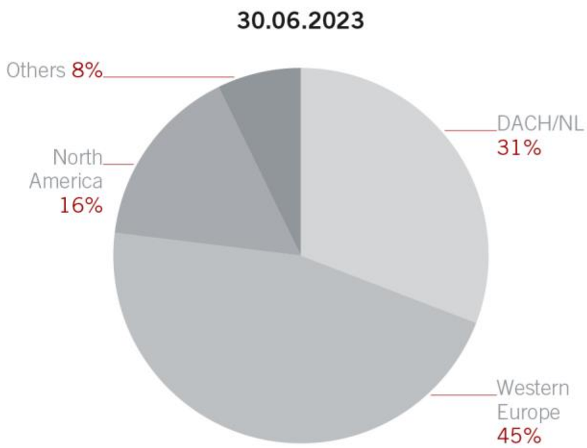
Geographical distribution of the lending portfolio

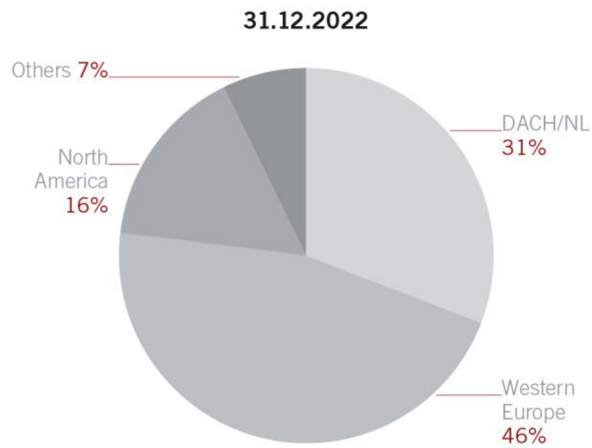




1) The DACH/NL porfolio is distributed as follows: Austria (73%), Germany (14%) and The Netherlands (12%) and Switzerland (1%). The Western Europe portfolio is mainly comprised of Ireland (40%), United Kingdom (37%) and France (13%).
2) The DACH/NL porfolio is distributed as follows: Austria (43%), Germany (35%), The Netherlands (13%) and Switzerland (9%). The Western Europe portfolio is mainly comprised of Ireland (43%), United Kingdom (21%) and France (19%).

Geographical distribution of securities





Lending and securities portfolio by currencies

Consistent with BAWAG Group's overall positioning, the major share of financing is denominated in EUR. The following table depicts the currency distribution of the lending and securities portfolio.

	Book value		in %	
in € million	30.06.2023	31.12.2022	30.06.2023	31.12.2022
EUR	43,578	46,548	84.7%	85.2%
USD	5,500	5,547	10.7%	10.2%
GBP	1,077	1,093	2.1%	2.0%
CHF	844	902	1.6%	1.7%
Others	476	538	0.9%	0.9%
Total	**51,475**	**54,628**	**100.0%**	**100.0%**

Credit quality overview: Lending, provisions, delinquencies and collateral

The following table shows the NPL ratio and provisioning of the lending portfolio. The low risk profile is reflected by the low NPL ratio, low delinquency of loan volumes and good provisioning level and collateral coverage across the portfolios. More than 83% (FY 2022: 85%) of the total exposure can be assigned to an investment grade rating which corresponds to the external rating classes AAA to BBB.

	Book value[1)]		in %	
in € million	30.06.2023	31.12.2022	30.06.2023	31.12.2022
At amortized cost (gross)	**48,737**	**52,016**	**100.0%**	**100.0%**
Provisions	443	430	0.9%	0.8%
thereof Stage 1	35	39	0.1%	0.1%
thereof Stage 2	140	131	0.3%	0.3%
thereof Stage 3	269	260	0.6%	0.5%
At amortized cost (net)	48,294	51,585	99.1%	99.2%
NPL ratio	–	–	0.9%	0.9%
NPL cash coverage ratio	–	–	53.1%	52.3%
NPL coverage ratio	–	–	81.8%	82.5%

1) Securities are not included since the securities portfolio does not show any days past due or any signs of non-performance

The following table shows the NPL ratio for the segments Retail & SME and Corporates, Real Estate & Public Sector:

	Retail & SME		Corporates, Real Estate & Public Sector	
in € million	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Total	**21,714**	**22,074**	**13,618**	**14,375**
NPL ratio	1.7%	1.6%	0.7%	0.7%
NPL cash coverage ratio	51.5%	50.9%	59.7%	57.5%
NPL coverage ratio	76.0%	77.1%	100.0%	100.0%

The following table shows the distribution by ratings for the portfolio which is neither overdue nor impaired. The risk profile is stable.

		Total portfolio		Retail & SME		Corporates, Real Estate & Public Sector	
in %	Moody´s rating equivalent	30.06.2023	31.12.2022	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Rating class 1	Aaa–Aa2	30.2%	31.6%	0.2%	0.2%	17.3%	15.1%
Rating class 2	Aa3–A1	10.2%	10.1%	10.5%	9.8%	13.0%	15.0%
Rating class 3	A2–A3	7.2%	7.5%	9.5%	10.5%	5.3%	6.3%
Rating class 4	Baa1–Baa3	37.4%	35.5%	54.8%	53.1%	47.7%	46.2%
Rating class 5	Ba1–B1	12.7%	13.1%	19.9%	21.8%	16.1%	16.1%
Rating class 6	B2–Caa2	1.6%	1.4%	3.5%	2.7%	0.5%	1.1%
Rating class 7	Caa3	0.7%	0.8%	1.6%	1.9%	0.1%	0.1%

Received collateral for the NPL portfolio

The figures below refer to gross NPL (stage 3) exposure.

30.06.2023 in € million	NPL exposure	Real estate collateral	Other collateral	Financial guarantees	Credit enhancements
Lending portfolio	556	184	32	17	5
Securities	0	0	–	–	–
Off-balance business	2	1	1	0	0
Total	**558**	**185**	**33**	**17**	**5**

The values shown are market values.

31.12.2022 in € million	NPL exposure	Real estate collateral	Other collateral	Financial guarantees	Credit enhancements
Lending portfolio	532	178	34	18	23
Securities	0	0	–	–	–
Off-balance business	6	1	2	0	0
Total	**538**	**179**	**36**	**18**	**23**

The values shown are market values.

Impairment

The definitions of impairment, ECL parameters (exposure at default, probability of default, loss given default), SICR (significant increase in credit risk) criteria and Stage 1 to 3 remained unchanged in the first half of 2023 compared to FY 2022.

The following table provides an overview of the development of IFRS book values (net of impairments) across the stages.

Reconciliation of book values by stage

30.06.2023 in € million	Starting balance	Increases due to origination and acquisition	Decreases due to derecognition	Changes on existing assets	Closing balance
Book values for impairments in Stage 1 (without POCI)	**50,658**	**2,123**	**(1,550)**	**(3,338)**	**47,893**
Lending portfolio	44,910	1,861	(1,501)	(3,297)	41,973
Securities	5,748	262	(49)	(41)	5,920
Book values for impairments in Stage 2 (without POCI)	**1,533**	**46**	**(181)**	**100**	**1,498**
Lending portfolio	1,533	46	(181)	100	1,498
Securities	–	–	–	–	–
Book values for impairments in Stage 3 (without POCI)	**269**	**7**	**(22)**	**25**	**279**
Lending portfolio	269	7	(22)	25	279
Securities	–	–	–	–	–
Total POCI	**50**	**0**	**(1)**	**(3)**	**46**
Lending portfolio	50	0	(1)	(3)	46
Securities	–	–	–	–	–
Total	**52,510**	**2,176**	**(1,754)**	**(3,216)**	**49,716**

Only IFRS 9-relevant book values are shown.

Reconciliation of impairments per stage

30.06.2023 in € million	Starting balance	Increases due to origination and acquisition	Decreases due to derecognition	Changes on existing assets	Closing balance
Impairments Stage 1 (without POCI)	**47**	**4**	**(2)**	**(6)**	**43**
Lending portfolio	37	4	(2)	(6)	33
Securities	3	0	(0)	(0)	3
Off-balance business	7	0	(0)	(0)	7
Impairments Stage 2 (without POCI)	**133**	**2**	**(20)**	**28**	**143**
Lending portfolio	131	2	(20)	27	140
Securities	–	–	–	–	–
Off-balance business	2	0	(0)	1	3
Impairments Stage 3 (without POCI)	**253**	**4**	**(13)**	**20**	**264**
Lending portfolio	250	4	(13)	20	261
Securities	–	–	–	–	–
Off-balance business	3	–	–	0	3
Total POCI	**10**	**–**	**–**	**(2)**	**8**
Lending portfolio	10	–	–	(2)	8
Securities	–	–	–	–	–
Off-balance business	–	–	–	–	–
Total	**442**	**10**	**(35)**	**41**	**458**

Transition of impairments by financial instruments

30.06.2023 in € million	From Stage 1 to Stage 2	From Stage 1 to Stage 3	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 1	From Stage 3 to Stage 2
Lending portfolio	26	15	(10)	14	(1)	(6)
Securities	–	–	–	–	–	–
Off-balance business	2	(0)	(0)	(0)	0	0
Total	**28**	**15**	**(11)**	**14**	**(1)**	**(6)**

31.12.2022 in € million	From Stage 1 to Stage 2	From Stage 1 to Stage 3	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 1	From Stage 3 to Stage 2
Lending portfolio	30	21	(27)	15	(3)	(9)
Securities	0	–	(0)	–	(0)	(0)
Off-balance business	0	(0)	(0)	(0)	0	0
Total	**31**	**21**	**(28)**	**15**	**(3)**	**(9)**

Distribution of book values by impairment stage and rating

The numbers below refer to IFRS book values (net of Stage 1 to 3 provisions).

30.06.2023 in € million	Rating class 1	Rating class 2	Rating class 3	Rating class 4	Rating class 5	Rating class 6	Rating class 7	Rating class 8	Total portfolio
Book values for impairments in Stage 1 (without POCI)	**14,956**	**5,130**	**3,323**	**18,183**	**5,815**	**405**	**81**	**–**	**47,893**
Lending portfolio	12,117	3,694	2,596	17,362	5,718	405	81	–	41,973
Securities	2,839	1,436	727	821	97	–	–	–	5,920
Book values for impairments in Stage 2 (without POCI)	**–**	**5**	**8**	**99**	**634**	**403**	**349**	**–**	**1,498**
Lending portfolio	–	5	8	99	634	403	349	–	1,498
Securities	–	–	–	–	–	–	–	–	–
Book values for impairments in Stage 3 (without POCI)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**279**	**279**
Lending portfolio	–	–	–	–	–	–	–	279	279
Securities	–	–	–	–	–	–	–	–	–
Total POCI	**–**	**23**	**–**	**–**	**–**	**14**	**2**	**7**	**46**
Lending portfolio	–	23	–	–	–	14	2	7	46
Securities	–	–	–	–	–	–	–	–	–
Total	**14,956**	**5,158**	**3,331**	**18,282**	**6,449**	**822**	**432**	**286**	**49,716**

Only IFRS 9-relevant book values are shown.

31.12.2022 in € million	Rating class 1	Rating class 2	Rating class 3	Rating class 4	Rating class 5	Rating class 6	Rating class 7	Rating class 8	Total portfolio
Book values for impairments in Stage 1 (without POCI)	**16,278**	**5,364**	**3,866**	**18,331**	**6,308**	**375**	**136**	**–**	**50,658**
Lending portfolio	13,538	3,982	3,008	17,613	6,258	375	136	–	44,910
Securities	2,740	1,382	858	718	50	(0)	–	–	5,748
Book values for impairments in Stage 2 (without POCI)	**0**	**4**	**10**	**87**	**725**	**375**	**332**	**–**	**1,533**
Lending portfolio	0	4	10	87	725	375	332	–	1,533
Securities	–	–	–	–	–	–	–	–	–
Book values for impairments in Stage 3 (without POCI)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**269**	**269**
Lending portfolio	–	–	–	–	–	–	–	269	269
Securities	–	–	–	–	–	–	–	–	–
Total POCI	**–**	**0**	**–**	**0**	**5**	**8**	**31**	**6**	**50**
Lending portfolio	–	0	–	0	5	8	31	6	50
Securities	–	–	–	–	–	–	–	–	–
Total	**16,278**	**5,368**	**3,876**	**18,418**	**7,038**	**758**	**499**	**275**	**52,510**

Only IFRS 9-relevant book values are shown.

Expected credit loss

Expected credit losses of BAWAG Group are based on a probability-weighted expected outcome as IFRS 9 stipulates: The ECL estimates under three different scenarios are aggregated with scenario weights to constitute a final ECL estimate. The macroeconomic scenario is comprised of forecasts of major macroeconomic variables: Among all variables, BAWAG Group uses GDP growth as a main source of forward-looking information to consider in ECL estimates, with additional variables such as inflation, unemployment rate or housing prices in a complementary role.

The distribution among three scenarios (baseline 40%, optimistic 30% and pessimistic 30%) allows the Bank to cover the broad range of future expectations and has been chosen as the most appropriate within industry standards. The following table provides an overview of GDP growth assumptions and scenario weights applied to determine ECL.

Stage 1: 12-month ECLs

The horizon of the expected credit loss calculation for Stage 1 instruments is up to 12 months after the reporting date, considering the forward-looking probability of default, loss given default and exposure structure within this period.

Stage 2: Lifetime ECLs

For financial instruments in Stage 2, the horizon of the expected credit loss is until the end of the instrument's maturity.

Eurozone GDP growth assumptions by scenario

GDP growth 30.06.2023 in %	2022	2023	2024	2025
Optimistic (30% weight)	3.5%	1.0%	1.5%	2.0%
Baseline (40% weight)	3.5%	0.6%	0.0%	2.6%
Pessimistic (30% weight)	3.5%	(0.1)%	(3.6)%	2.7%

GDP growth 31.12.2022 in %	2021	2022	2023	2024
Optimistic (30% weight)	6.0%	1.0%	1.5%	2.6%
Baseline (40% weight)	6.0%	0.9%	(0.6)%	3.5%
Pessimistic (30% weight)	6.0%	0.8%	(4.8)%	3.6%

Sensitivity analysis

The following table illustrates the weighted impairment allowance as well as the results of the sensitivity analysis where ECLs are measured under each scenario with 100% weight. The sensitivity analysis is based on the baseline ECL excluding the applied management overlay. As of the first half-year of 2023, an additional ECL management overlay of € 100 million (FY 2022: € 100 million) is held to address the geopolitical and economical uncertainties. This overlay would fully cover the additional provisioning requirements in the event that the pessimistic scenario does materialize.

30.06.2023

in € million	ECL incl. management overlay	ECL excl. management overlay	ECL scenario change		
			100% Optimistic	100% Baseline	100% Pessimistic
Stage 1 & Stage 2 impairments	187	87	(5)	–	5

31.12.2022

in € million	ECL incl. management overlay	ECL excl. management overlay	ECL scenario change		
			100% Optimistic	100% Baseline	100% Pessimistic
Stage 1 & Stage 2 impairments	179	79	(5)	0	5

BAWAG Group estimates ECL using, among other factors, historical data and relationships to develop judgements about future developments. The Bank observed that historical relationships between key variables do not necessarily hold true in the current macroeconomic environment, because comparable economic conditions have not existed in the past. Particularly lockdowns, high inflation rates and governmental support measure effects are still not evident in terms of impact on macroeconomic drivers and, ultimately, on default rates. This subsequently becomes apparent in the sensitivity of the respective risk parameters. Yet again, this is a consequence of historical macroeconomic parameters such as inflation having no easily quantifiable link to fluctuations in default rates, e.g. while inflation rates increase significantly, a historical relationship with defaults has not been observed. After adding the most recent (including COVID-19-related) observations, the level of sensitivity in the risk parameters with regards to the severe macroeconomic conditions remains muted, as current ECL models were not designed or calibrated with these circumstances in mind. Consequently, BAWAG Group is currently reviewing its IFRS 9 methodologies and in the meantime uses post-model adjustments (management overlay, see more in the section “Provisioning and management overlay”) in line with best practice and regulatory expectations, where risks and uncertainties cannot be adequately reflected in existing models.

22 | Market risk

The definitions of market risk (including interest rate and credit spread risk tools and processes) and interest risk in the banking book remained unchanged in the first half of 2023 compared to FY 2022.

The target interest rate risk structure defined by the SALCO is implemented by the Treasury & Markets division.
BAWAG Group uses interest rate derivatives:

- to implement the interest risk strategy within the requirements and limits defined by the SALCO
- to manage the sensitivity of the valuation result and the revaluation reserve
- to hedge the economic risk position, thereby taking the accounting treatment into consideration

BAWAG Group uses hedge accounting pursuant to IAS 39. The following fair value hedge accounting methods are currently used to mitigate market risks:

- **Micro fair value hedge:** Hedging of financial assets or financial liabilities against changes in their fair value.
- **Portfolio fair value hedge (“EU carve-out”):** BAWAG Group has identified sight deposits in euros as a portfolio that is to be protected against interest rate risks. These deposits are divided into time buckets in accordance with the expected

repayment and interest rate adjustment dates. As of June 2023, approximately 37% (FY 2022: 39%) of the total volume of sight deposits was allocated to a portfolio fair value hedge.

In addition, contractually agreed interest rate caps and/or floors embedded in financial assets (e.g. loan receivables or securities) or liabilities (e.g. savings deposits) are designated to portfolio fair value hedge accounting in order to mitigate changes in the fair value of these instruments resulting from changes in interest rates. The decision on the amount to be designated to portfolio fair value hedge accounting is determined using a bottom layer approach and made in the context of the overall interest rate risk position and limit framework.

Interest rate risk is measured using sensitivities based on the present value of a basis point (PVBP) concept. The PVBP, which is derived from the duration of interest-bearing financial instruments, reflects the impact on net asset value resulting from an upward parallel shift of the yield curves by one basis point (0.01%). The following table depicts BAWAG Group's interest rate risk sensitivities as of 30 June 2023 on the basis of the PVBP concept:

Interest rate sensitivity

30.06.2023 in € thousand	<1Y	1Y–3Y	3Y–5Y	5Y–7Y	7Y–10Y	>10Y	Total
EUR	(41)	247	(44)	604	(533)	(429)	(195)
USD	6	(27)	(10)	2	3	9	(17)
CHF	(34)	7	6	(3)	(5)	(2)	(31)
GBP	4	3	0	1	2	1	11
Other currencies	(2)	15	(30)	0	(2)	0	(20)
Total	**(67)**	**245**	**(78)**	**604**	**(535)**	**(421)**	**(252)**

31.12.2022 in € thousand	<1Y	1Y–3Y	3Y–5Y	5Y–7Y	7Y–10Y	>10Y	Total
EUR	1	82	(92)	323	(380)	(441)	(507)
USD	5	(29)	2	(5)	15	(3)	(15)
CHF	(20)	11	12	0	0	(3)	0
GBP	3	11	9	5	4	2	34
Other currencies	(3)	(2)	(1)	0	0	0	(6)
Total	**(14)**	**73**	**(70)**	**323**	**(361)**	**(445)**	**(494)**

Scenario analysis interest rate sensitivity – total economic risk position

The table below illustrates the interest rate risk sensitivity of the total economic risk position assuming a parallel interest rate shift of +/- 200 basis points.

30.06.2023 in € million	(200)bp	(100)bp	(50)bp	(25)bp	+25bp	+50bp	+100bp	+200bp
EUR	44	27	14	7	(6)	(13)	(25)	(49)
USD	1	1	1	0	0	(1)	(2)	(5)
CHF	11	4	2	1	(1)	(1)	(3)	(5)
GBP	(2)	(1)	0	0	0	0	1	2
Others	2	1	0	0	0	0	(1)	(1)
Total	**56**	**32**	**17**	**8**	**(7)**	**(15)**	**(30)**	**(58)**

31.12.2022 in € million	(200)bp	(100)bp	(50)bp	(25)bp	+25bp	+50bp	+100bp	+200bp
EUR	221	91	39	19	(18)	(36)	(74)	(124)
USD	(6)	(4)	(2)	(1)	1	2	4	7
CHF	4	1	0	0	0	0	1	2
GBP	(10)	(5)	(2)	(1)	1	2	5	10
Others	2	1	0	0	0	0	(1)	(1)
Total	**211**	**83**	**35**	**17**	**(16)**	**(31)**	**(64)**	**(107)**

Credit spread risk in the banking book

Credit spread risk in the banking book refers to the risk of decreasing fair values of securities and derivatives due to changes in market credit spreads. The risk management models employed by BAWAG Group to address this risk have been continuously refined. The credit spread risk is measured on the basis of the sensitivities (basis point value). The basis point value reflects the impact on net asset value resulting from an upward parallel shift of the credit spreads by one basis point (0.01%). The following table shows the total credit spread sensitivity of BAWAG Group along with the breakdown by accounting categories impacting the Profit or Loss Statement and other comprehensive income:

Credit spread sensitivity

in € thousand	30.06.2023	31.12.2022
Total portfolio	(2,194)	(2,192)
Financial assets at fair value through profit or loss	(60)	(7)
Financial assets at fair value through other comprehensive income	(629)	(670)
Financial assets at amortized cost	(1,505)	(1,515)

Market risk in the trading book

BAWAG Group runs no active trading book. No trading activities are currently planned for the entire Group.

23 | Liquidity risk

The definition of liquidity risk and liquidity risk management framework, tools and processes remained unchanged in the first half of 2023 compared to FY 2022.

BAWAG Group's overall strategy has an explicit commitment to a deposit-based funding strategy. Retail and corporate savings products have been the core part of the funding strategy over the years and will continue to be the dominant source of funding for the balance sheet. The deposit base is supplemented with a diversified strategy of wholesale funding. BAWAG Group has issued both unsecured bonds as well as bonds secured by mortgages.

As of H1 2023, customer deposits comprised of granular Retail & SME deposits (avg. deposit size €12k) of €27.3bn, of which c. 80% are insured by a deposit guarantee scheme and €5.5bn Corporate & Public sector deposits, primarily transactional current account from public sector counterparties. In recent years BAWAG Group has termed the maturity profile of its liability structure, primarily issuing Covered bonds (total €11bn) to match funding of long term assets (mortgage loans).

BAWAG Group maintains a liquidity buffer to cover unexpected liquidity outflows in a stress scenario. The liquidity buffer is kept as a preventive measure against liquidity risk. The liquidity buffer consists of a portfolio of liquid assets which can be used to generate cash in a stress situation in order to prevent the illiquidity of the Bank. BAWAG Group's liquidity buffer only includes assets that can be liquidated with minimal execution risk within 30 days. The market liquidity of the liquidity buffer is tested regularly.

The table below shows the liquidity buffer composition based on the market values of unencumbered assets after a component-specific haircut.

Structure of the liquidity buffer

in € million	30.06.2023	31.12.2022
Balances at central banks	9,871	11,744
Securities eligible for Eurosystem operations	2,590	1,059
Other assets eligible for Eurosystem operations	1,196	59
Short-term liquidity buffer	**13,657**	**12,862**
Other marketable securities	2,275	2,142
Total	**15,932**	**15,003**

BAWAG Group maintains a conservative liquidity management strategy, which is reflected in a strong liquidity coverage ratio (LCR) of 207% (FY 2022: 225%). BAWAG Group thereby significantly exceeds the regulatory LCR requirement. The assets of the liquidity buffer are highly liquid with the majority held in deposits with central banks.

The first half of 2023 was characterized by a solid liquidity position with broadly stable core funding sources and a balanced term funding structure, with retail customers providing the majority of funding. The sharp rise in interest rates since H1 2022 and the associated repricing of customer deposits and revaluation of assets has led to distortions in the banking sector in H1 2023 with increased liquidity outflows observed for certain banks (US regional banks, Credit Suisse). BAWAG Group's liquidity position was not directly affected by these developments and retail customer deposits have repeatedly proven to be a stable funding source in this challenging environment, with the funding strategy continues to be focused on this funding source.

With its conservative risk profile and diversified funding sources, BAWAG Group is well positioned to maintain its solid liquidity position in the current environment of structural changes (rising interest rates, reduction of excess liquidity by central banks, change in deposit mix, high inflation).

As of 30 June 2023, BAWAG Group utilized €0.6 billion of funding under the ECB's TLTRO III facility (after repayment of € 2.0 billion in January and € 2.8 billion in June 2023). In addition to the stable deposit base, in the first half of 2023 the Bank successfully placed € 2.1 billion mortgage-covered bonds (January € 870 million; CHF 140 million in February; CHF

180 million in April; € 750 million and CHF 125 million in May), € 75 million in public covered bonds, € 500 million in senior preferred bonds and € 200 million in senior unsecured bonds which again proved BAWAG Group's good capital market access and the positive perception among investors.

24 | Operational risk

The definitions of operational risk, its governance, risk identification, assessment and mitigation and risk quantification remained unchanged in the first half of 2023 compared to FY 2022.

25 | ESG Risk

The interaction of ESG risks and other material risk types is evaluated as part of the overarching risk self-assessment (RSA). Within BAWAG Group's portfolio steering framework, both high-ESG-risk sectors and countries are limited accordingly due to low-risk appetite for industries exposed to high transition risk (for example oil and gas industries for which there is de minimis exposure on book, and political or social risk). Due to the currently low exposures to high ESG risks, the impact on the half-year 2023 results are not significant.

In particular, the management of restricted and prohibited sectors as part of the underwriting and loan origination process is essential in this regard. As part of our robust governance framework, ESG risk management is embedded in our key policies and processes, ensuring an appropriate consideration of ESG risks within outsourcing management, product introductions etc.

Whereas ESG underpins BAWAG Group's strategy driving responsible, sustainable, and profitable growth, there are certain key deliverables regarding the overarching framework with the biggest challenge being data availability. The current ESG position can be described as follows:

- In recent months, numerous requirements have developed in connection with ESG. The regulatory environment related to ESG is extensive and is expected to meet the comprehensive regulatory requirements. BAWAG Group is committed not just to keeping the negative impacts of our business activities as low as possible, but also to contributing in a positive way.

- **ESG integrated in organization:** A defined organizational unit responsible for ESG risk is supported by nominated ESG SPoCs in relevant divisions and all subsidiaries. Committee structures on the Supervisory and Management Board level as well as on the operational working level were implemented and started in 2021. As part of our robust governance framework, ESG risk management is embedded in our key policies and processes, ensuring an appropriate consideration of ESG risks within outsourcing management, product introductions etc. BAWAG Group took measures to ensure it has the right skills and governance in place.

- **Awareness and training:** Numerous awareness initiatives such as townhall events, newsletters, self-learning programs, regular lectures within BAWAG Academy and many more ensure that the strategy for managing ESG risks is recognized and practiced across the organization.

- **General ESG strategy defined with specific 2025 targets:** ESG targets were integrated into the business and risk strategy. A separate ESG framework and policy was introduced and ESG-related considerations were part of business planning. An enhanced ESG strategy was defined by FY 2022. Our goals are the reduction of our Scope 1 and Scope 2 CO_2

emissions by more than 50%, increase the number of women in our Senior Leadership Team and Supervisory Board, as well as the increase of our Green Lending Portfolio.

- **Internal reporting:** The data collection capabilities and infrastructure were set up in 2021 and are constantly being improved. Dedicated ESG reports are a regular part of the Non-Financial Risk & ESG Committee, the ESG Steering Committee, Enterprise Risk Meeting, Supervisory Board as well as Management Board. The reports include internal ESG KPIs, current and future projects and their status.

- **External reporting:** In the first half-year of 2023, BAWAG Group committed to the PCAF Standard and will report its Scope 3 CO_2 emissions per that standard for the year 2023 in the beginning of 2024.

- **Risk measurement:** The interaction of ESG risks and other material risk types is evaluated as part of the overarching risk self-assessment (RSA). Internal capital is allocated for ESG risk in the ICAAP assessment and part of regular reporting. A dedicated ESG risk scenario including macroeconomic parameters and portfolio-specific idiosyncratic shocks is considered in the internal stress testing. Within BAWAG Group's portfolio steering framework, both high-ESG-risk sectors and countries are limited accordingly, and a very low exposure to high-ESG-risk industries and de minimis oil and gas exposure are maintained.

  - **Corporates, Real Estate & Public Sector**: Industry-related ESG risk mainly driven by transition risk, e.g. industries facing challenges adapting to the zero emission targets. Overall, the ESG industry risk is low to moderate with limited high-risk exposures. Restricted (R) and prohibited (P) exposures are very low. In particular, the management of restricted and prohibited sectors as part of the underwriting and loan origination process is essential in this regard. Our risk appetite for industries with high transition risk is low, which drives the consistently low exposures over the years (including low exposure to the energy complex).

Activity	Prohibited (P) / Restricted (R)	Exposure	
		m€	%
Gambling	R	172	0.29%
Mining of oil/tar sands	R	1	0.00%
Animal testing (non-medical)	R	21	0.03%
Others	P/R	0	0.00%
Total		**194**	**0.33%**

  - **Retail & SME:** BAWAG Group operates in developed markets with high legal and environmental standards. Following the issuance of the inaugural Green Bond Benchmark in 2021, BAWAG continued to issue Green Bonds in 2022 and in 2023. The use of proceeds of these bond issues is dedicated to financing energy-efficient residential housing according to standards defined by the EU taxonomy delegated act. For retail mortgages, in particular ESG-relevant data is collected in an ongoing process with new internally developed tools.

STATEMENT OF ALL LEGAL REPRESENTATIVES

“We confirm to the best of our knowledge that the condensed consolidated Half-Year Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the Half-Year Group Management Report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated Half-Year Financial Statements and of the principal risks and uncertainties for the remaining six months of the financial year.”

28 July 2023

Anas Abuzaakouk
Chief Executive Officer

Enver Sirucic
Member of the Management Board

Sat Shah
Member of the Management Board

David O’Leary
Member of the Management Board

Andrew Wise
Member of the Management Board

Guido Jestädt
Member of the Management Board

DEFINITIONS

Key performance indicator	Definition / Calculation	Explanation
After-tax earnings per share	Net profit / weighted average diluted number of shares outstanding	After-tax earnings per share is the portion of net profit per individual share (diluted) of the stock.
Average interest-bearing assets	Month-end interest-bearing assets / number of months	Average of month-end interest-bearing assets within the quarter or the year is used for calculating net interest margin and risk cost ratio (see KPIs below)
Basic earnings per share	(Net profit - AT1 coupon) / weighted average number of shares outstanding	After-tax earnings per share is the portion of net profit (excluding AT1 coupon) per individual share of the stock.
Book value per share	Common equity (excluding AT1 capital and dividends) / number of shares outstanding	Book value per share represents the total amount of common equity divided by the number of shares outstanding at the end of the period.
Common equity	Equity attributable to the owners of the parent	Common equity as presented in the consolidated financial statements
Common Equity Tier 1 (CET1) capital	Based on IFRS CRR regulatory figures (BAWAG Group), excluding any transitional capital (fully loaded)	CET1 capital is defined by the CRR and represents the highest quality of capital. It therefore only comprises capital instruments that are available to the bank for unrestricted and immediate use to cover risks or losses as soon as they occur. The higher the bank's CET1 capital, the higher its resilience against such risks or losses.
Common Equity Tier 1 (CET1) ratio	Common Equity Tier 1 (CET1) capital / risk-weighted assets	The CET1 ratio is one of the most important regulatory metrics and demonstrates the bank's financial strength by providing a measure for how well a bank can withstand financial stress. The ratio is consistently monitored to ensure compliance with regulatory minimum requirements. Before any business opportunities are entered into, they are thoroughly assessed with regard to their impact on the CET1 ratio.
Core revenues	The total of net interest income and net fee and commission income	Core revenues consist of the line items net interest income and net fee and commission income and demonstrate the success of the bank in its core activities.
Cost-income ratio (CIR)	Operating expenses / operating income	The cost-income ratio shows the company's operating expenses in relation to its operating income. The ratio gives a clear view of operational efficiency. BAWAG Group uses the cost-income ratio as an efficiency measure for steering the bank and for easily comparing its efficiency with other financial institutions.
Customer loans	Customer loans measured at amortized cost	The book value of customer loans measured at amortized cost.
Dividend per share	Dividend payout / shares outstanding	The dividend per share expresses the distributed profit over the dividend eligible share. The base for the shares eligible for dividend is shown is the shares outstanding at period end plus the respective tranches of the LTIP from the following year.
Diluted earnings per share	(Net profit - AT1 coupon) / weighted average diluted number of shares outstanding	After-tax earnings per share is the portion of net profit (excluding AT1 coupon) per individual share (diluted) of the stock.
Interest-bearing assets	Financial assets + Assets at amortized cost – Assets at central banks	Interest-bearing assets comprise the line items Financial assets and Assets at amortized cost excluding Assets at central banks
Leverage ratio	Tier 1 capital / total exposure (calculation according to CRR)	The leverage ratio is a regulatory metric and expresses the relationship between the bank's Tier 1 capital and its total exposure, where total exposure includes on-balance and certain off-balance exposures but not on a risk-weighted basis. The ratio provides a metric to judge how leveraged a bank is. The higher the leverage ratio, the lower a bank is leveraged and the higher the likelihood of a bank withstanding negative shocks to its balance sheet.

Liquidity coverage ratio (LCR)	Liquid assets / net liquid outflows (calculation according to CRR)	The liquidity coverage ratio is a regulatory metric that ensures that banks maintain adequate levels of liquidity, i.e. sufficient highly liquid assets, to meet short-term obligations under stressed conditions. In keeping with this, the bank shall sustain any possible imbalance between liquidity inflows and outflows under stressed conditions over a period of thirty days. The ratio is consistently monitored by the management to ensure compliance with regulatory minimum requirements and short-term liquidity needs.
Loan-to-value (LTV)	Mortgage loans / appraised value (market value) of the property	The LTV ratio is a financial term to express the ratio of a mortgage loan in relation to the value in use or market value of the underlying property.
Net interest margin	Net interest income / average interest-bearing assets	The net interest margin is a performance measure and is expressed as a percentage of what a bank earns on loans and other assets in a time period less the interest it pays on deposits and other liabilities divided by average interest-bearing assets. It is used for external comparison with other banks as well as internal profitability measurement of products and segments.
Net profit	Profit after tax attributable to owners of the parent	This profitability measure represents the profit after tax that is attributable to the owners of the parent in absolute amounts for the respective period as presented in the consolidated financial statements.
Non-performing loans (NPL) ratio	Non-performing loans / Exposure	The NPL ratio is a ratio to demonstrate the proportion of loans that have been classified as non-performing in relation to the entire credit risk exposure (on-balance and off-balance sheet receivables). The ratio reflects the quality of the portfolio and of the Group's credit risk management.
Non-performing loans (NPL) coverage ratio	Stage 3 incl. prudential filter and collateral / NPL exposure economic	The total of stage 3 impairments including prudential filter and collateral relative to the NPL exposure economic
Non-performing loans (NPL) cash coverage ratio	Stage 3 incl. prudential filter / NPL exposure economic	The total of stage 3 impairments including prudential filter relative to the NPL exposure economic
Off-balance business	CCF weighted off-balance business	Off-balance business refers to assets or liabilities that do not appear on the Group's balance sheet such as loan commitments and financial guarantees. The off-balance business in the risk report is weighted by a credit conversion factor (CCF).
Operating income	The total of core revenues, gains and losses on financial instruments and other operating income and expenses	As presented in the respective line item in the income statement
Operating profit	Operating income less operating expenses and regulatory charges	As presented in the respective line item in the income statement
Pre-provision profit	Operating income less operating expenses	As presented in the respective line item in the income statement
Pre-tax earnings per share	Profit before tax / weighted average diluted number of shares outstanding	Pre-tax earnings per share is the portion of profit before tax per individual share (diluted) of the stock.

Return on common equity (RoCE)	Net profit / average common equity excluding AT1 capital and dividends and dividend accruals	These metrics provide a profitability measure for both management and investors by expressing the net profit as presented in the income statement as a percentage of the respective underlying (either equity related or asset related). Return on common equity and return on tangible common equity demonstrate profitability of the bank on the capital invested by its shareholders and thus the success of their investment. The "Return on …" measures are useful for easily comparing the profitability of the bank with other financial institutions. Allocated equity to segments is based on an internal model taking into account risk-weighted assets and balance sheet size of the respective segment.
Return on tangible common equity (RoTCE)	Net profit / average tangible common equity excluding AT1 capital and dividends and dividend accruals	
Risk-weighted assets	Based on IFRS CRR regulatory figures (BAWAG Group, fully loaded)	The calculation of risk-weighted assets is defined in the CRR. The figure describes the total amount of exposure at risk for a bank and includes both on-balance and off-balance positions. When calculating the amount, the bank can consider risk-mitigating elements (e.g. collateral) and has to derive regulatory risk weights for each position depending on the (external) credit rating of the counterparty or customer. Risk-weighted assets are used as the denominator for calculating the CET1 ratio (see above). "Fully loaded" refers to the full application of the CRR without any transitional rules.
Risk costs / interest-bearing assets; (risk cost ratio)	Provisions and loan loss provisions, impairment losses and operational risk (total risk costs) / average interest-bearing assets	This ratio is a measure for the quality of credit risk management and the loan portfolio itself. It provides a relative view of the risk costs for the period based on the average interest-bearing assets and allows benchmarking with other banks. Low risk costs may result from a high collateralization and/or a close monitoring of the credit rating of the customers. As a result, this implies that there are only few actual credit losses and little need for provisioning.
RWA density	Risk-weighted assets / total assets	The RWA density is a metric to obtain an "average risk weight" for a bank's balance sheet, i.e. the bank's total risk-weighted assets (see above) compared to the total assets. The ratio indicates the average risk weightings of the assets based on their regulatory assessment, which can be impacted by asset quality, the collateralization level or the applied models for assessing the risk weights.
Tangible book value per share	Tangible common equity (excluding AT1 capital and dividends) / number of shares outstanding	Tangible book value per share represents the total amount of common equity less intangible assets divided by the number of shares outstanding at the end of the period.
Tangible common equity	Common equity reduced by the carrying amount of intangible assets	Tangible common equity is another viability indicator for banks and facilitates the comparison of equity figures excluding intangible assets. It is used as the denominator of the return on tangible equity calculation (see below).
Total capital	Based on IFRS CRR regulatory figures (BAWAG Group), excluding any transitional capital (fully loaded)	Total capital and total capital ratio are regulatory metrics and compare to CET1 capital and the CET1 ratio in a way that the eligible capital for this purpose is extended by other instruments (e.g. Additional Tier 1 and Tier 2 instruments) not falling within the strict Common Equity Tier 1 definition. The total capital ratio is consistently monitored by the management to ensure compliance with regulatory minimum requirements. However, CET1 capital is of higher significance as it is also the base for prudential thresholds such as the SREP requirement. Therefore, BAWAG Group focuses more on CET1 capital and the CET1 ratio.
Total capital ratio	Total capital / risk-weighted assets	
Value-at-risk (VaR)	Measure of risk of investments	A method for quantifying risks that measures the potential maximum future losses that can occur within a specific period and with a certain probability.

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